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SOVIET UNION
A time for measures, not men
Page 15

World News

Soviet miners call strike, resignation of Gorbachev

Miners' leaders in the Soviet Union's two largest coal fields called for an all-out strike, demanding large pay rises and the resignation of President Mikhail Gorbachev and his government.

The decision in the west Siberian Kuzbas, and Ukrainian Donbas fields, follows Mr Gorbachev's refusal to meet the miners or hear their demands until all return to work. Page 4

EC to discuss peace

European Community leaders will hold an early-April summit to discuss peace in the Middle East. Page 2

Land laws scrapped

South African government submitted draft legislation to scrap laws enforcing racial discrimination in residential areas and land ownership. Analysis, Page 3

Romanian 'split'

Romania's ruling National Salvation Front is likely to split formally into two or three groups at next week's congress, according to President Ion Iliescu.

Farmers protest

Czech authorities faced mounting opposition to its reforms when 15,000 farm workers demonstrated in Prague against the break-up of large agricultural collectives. Page 4

Maxwell makes deal

Robert Maxwell, UK publisher, said he had reached "agreement in principle" on job cuts with all 10 trade unions at the strikebound New York Daily News and expected to *acquire* the paper from the Tribune Company of Chicago.

Palestinians freed

Hundreds of Palestinians released from jail by Syria were welcomed to Lebanon by guerrillas who fired shots into the air.

Germans charged

German public prosecutors charged 12 businessmen with helping Iraq make poison gas, the first such court action against German companies. Page 2

US link with Albania

US and Albania are to restore diplomatic relations severed more than 50 years ago.

Johannesburg calm

An overnight curfew brought relative calm to Johannesburg's black townships, where at least 56 people have died since Saturday in fighting between rival black groups.

Civil war stepped up

Rebels in Mozambique appear to have stepped up attacks on the Maputo government despite efforts in Rome to end the country's 15-year civil war.

Algerians strike

Algerian workers began a two-day general strike hitting production of oil and gas.

Greek bus blasts

Greece's left-wing urban guerrilla group, November 17, claimed responsibility for five Athens bomb blasts.

KGB accuses west

A senior KGB security official accused the west of using arms control inspections to spy on the Soviet Union.

Ferry inquiry stops

Norwegian prosecutors dropped an investigation into last April's blaze on North Sea ferry the Scandinavian Star, in which 158 people died.

Aztec appeal

Mexico has requested the return from Austria of a feathered and jewel-studded headdress worn by Moctezuma II, the Aztec emperor ousted in the Spanish Conquest. The headdress is valued at $50m.

Business Summary

Moscow plans to privatise over 23,000 companies

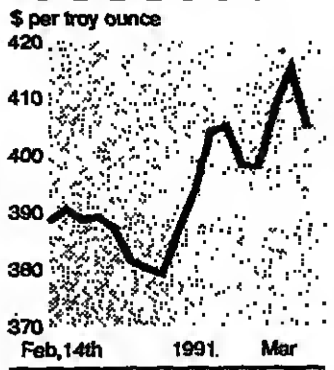
Soviet government said it planned to privatise more than 1,000 retail stores, 9,300 public catering facilities and 12,800 businesses in the services sector.

In its first report to the council of the General Agreement on Tariffs and Trade (Gatt), the Soviet delegation reaffirmed Mikhail Gorbachev's commitment to making the transition to an internationally open market-oriented economic system. Page 16

CARLO De Benedetti's long-running battle with Italian judiciary over his role in the Banco Ambrosiano collapse took a turn for the worse when the Milan appeal court sent him for criminal trial on charges of involvement in fraudulent bankruptcy. Page 16; Banco Ambrosiano Veneto profits rise, Page 18

Platinum rose in early trading as post-war euphoria in the US commodities markets carried metals prices higher. Like silver, it is being seen increasingly as an industrial rather than a precious metal. However, profit-taking by Japanese investors reversed the price rise and the metal closed $10.75 an ounce down in London at $404.75.

Platinum



MARKETS: in Frankfurt closed mixed, with strength in the automotive sector, construction and specialised chemicals offset by a flat day for financials, steels and engineering. The DAX index closed 5.83 higher at 1,571.61. Paris finished almost unchanged in moderate trading, as Wall Street's early weakness neutralised hopes of an interest rate cut. The CAC 40 index closed 1.22 lower at 1,795.48. In New York, concern about corporate earnings and the economy pushed equities slightly lower in moderate trading in the morning. At 3 pm, the Dow Jones Industrial Average was off 1.49 at 2,937.87. In Tokyo shares traded in a narrow range, but a rise in the yen and bond prices triggered a late rally with the Nikkei average rising for the fifth consecutive session to close 58.05 higher at 26,727.42 on volume down from 550m to 500m. *World Stock Market reports, Back page, Section II*

STANDARD Chartered became second UK clearing bank to reduce its dividend by cutting its second-half payment from 22.5p to 7.5p. Page 17

ASHTON Mining, Australian group which operates the world's largest diamond mine, announced a 2.6 per cent increase in net profit to A$32m ($25m) for the year to March 12, on revenue up 14.5 per cent to A$226m. Page 20

OMRON, Japanese maker of computerised control equipment, is to pay Y6.5bn ($47m) for Nippon Data General, Japanese subsidiary of Data General of the US. Page 22

POLAND: trading in shares of the country's first five privatised companies is due to start on the Warsaw Stock Exchange on April 16, government officials said, with the official *opening in June.* Page 23

TRINIDAD and Tobago Oil, state-owned company, is spending $400m on a secondary oil recovery programme and expansion and upgrading of its oil refinery. Page 34

More rioting in Belgrade raises fears of martial law

THOUSANDS OF anti-communist demonstrators again took to the streets of Belgrade, the Yugoslav capital, yesterday amid growing fears that the army would impose martial law, writes Laura Silber in Belgrade and Judy Dempsey in London.

There has been concern that any intervention by the army in Serbia, the largest of the six republics, could precipitate the breakup of Yugoslavia and risk plunging the country into civil war.

Police in full combat gear patrolled the streets of Belgrade, also the capital of Serbia, as students stepped up their demands for a free press and the resignation of Mr Slobodan Milosevic, Serbia's communist president.

Tension increased after Mr Borisav Jovic, the Yugoslav president, called for an emergency meeting of the collective presidency – comprising the presidents of the six republics and two provinces – to consider the federal army's role in the crisis.

Mr Jovic, a close ally of Mr Milosevic, said the army had requested the meeting. "It was immediately convened at the demand of the defence minister," he said.

In London, the Foreign Office warned that economic assistance to Yugoslavia would be at risk if the authorities again meted out "heavy-handed treatment" against demonstrators. Mr Svetozar Rikanovic, the Yugoslav ambassador, who was called to the Foreign Office, was reminded that Yugoslavia had, in a number of areas, sought western assistance. An official said: "Such help depended on Yugoslavia's continued progress towards democracy."

In Belgrade, the defence ministry warned that "the armed forces will carry out the orders of the state presidency as the country's head of state, and not the wishes of any single republic, party or individual."

But Mr Milan Kucan, the former communist party leader of the liberal western republic of Slovenia warned the collective presidency against "trying to push through a state of emergency..."

Slovenia, which has voted for secession from the Yugoslav federation, did not attend yesterday's meeting of the
Continued on Page 16

Anti-Communist demonstrators in Belgrade yesterday brandish pictures of Serbian activist Vuk Draskovic, arrested on Saturday

Saudis plan to reassert dominant role in Opec

By **Deborah Hargreaves** in Geneva

SAUDI ARABIA is planning to reassert its dominance over the world oil market by increasing its production capacity over the next few years to a record level of 12m barrels a day (b/d) from a peak of 8.75m b/d.

The first signs of this tough, new approach by the world's biggest independent oil producer emerged yesterday as the kingdom opposed moves by radical members of the Organisation of Petroleum Exporting Countries (Opec) to make deep cuts in the current levels of production.

At the end of a tough two-day meeting, the first since the end of the Gulf war, the organisation agreed to cut Opec output by about 1m b/d to 22.3m b/d in the second quarter of this year in spite of opposition from Iran and Algeria.

Yesterday's agreement involves a cut in output of about 5 per cent by most Opec producers.

The agreement signalled a split between Saudi Arabia and Algeria, whose oil minister, Mr Sadek Boussena, holds the presidency of the organisation.

Significantly, Mr Boussena did not announce the deal, as he has on previous occasions.

The production cut was announced by Dr Subroto, secretary-general of Opec, who also called on countries outside Opec to contribute proportionate cuts in production.

Dr Subroto reiterated Opec's commitment to a $21-a-barrel reference price – the target price established last July – which is important to Iran and many smaller producers who want higher oil prices to boost revenues.

However, yesterday's cut in output is not expected to be sufficient to bring prices to $21 a barrel and other smaller producers had been pushing for a bigger cut as a way of forcing up the price.

The agreement is, in any case, voluntary and would be difficult to enforce.

News that the organisation had agreed to cut its crude oil production had little impact on prices, which had edged lower for most of Tuesday, oil traders said.

In London, North Sea Brent Blend crude oil for April delivery was quoted at $18.425 a barrel, down 12½ cents.

Saudi Arabia's aggressive new production policy represents a significant break with its attitude over the past few years. The kingdom would boost its capacity by increasing investment in new technology and thiswould enable it to extract more oil from its current fields.

Saudi experts believe there will be an increase in demand in the next few years and they think it is important to have idle capacity to boost production at short notice.

It was Saudi Arabia's ability to raise its output from 5.4m b/d before the Gulf crisis to a sustained level of 8.5m b/d that played a crucial part in calming the oil market during the war. The Saudis increased their production by more than 3m b/d during the Gulf war and are in no mood to relinquish their higher market share which increased from one quarter to one third of Opec output.

Saudi Arabia believes that by increasing its production capacity to a maximum of 12m b/d in the next three to five years, it would be in a position to sustain output at 10m b/d.

Saudi Arabia has not played such a forceful role inside Opec since 1986 when Sheikh Zaki Yamani was the kingdom's oil minister.

A Saudi official yesterday indicated that the country would be looking to achieve maximum stability in the oil market in future.

While this is also in the interests of the US with which Saudi Arabia was allied in the Gulf war, the official stressed there was no conspiracy between the two countries.

Mr Golamreza Aghazadeh, Iran's oil minister, said yesterday the organisation should return to June's quotas. He said Iran's output was 3.6m b/d in February although this is higher than other estimates which put it closer to 3m b/d.

Mr Jibril Aminu, Nigeria's oil minister, said it was important to send a signal to the market "that will prop up prices and prevent a slide in price and maybe even see it pick up a hit".

Saudi Arabia's plan for a 5 per cent cut in output would mean cutbacks by all producers except Algeria, Indonesia and possibly Ecuador. The kingdom has stressed that the production cuts will cover total sales, meaning production and sales from stocks.

Central banks act to put brake on rise in dollar

By **Peter Norman**, Economics Correspondent, in London

CENTRAL banks yesterday achieved a partial success in their efforts to brake the dollar's rise.

The US currency closed in London below Monday's levels, but had begun edging up in late afternoon trading as investors continued to move funds into the US.

The German Bundesbank and 10 smaller European central banks sold dollars to capitalise on the currency's weak opening levels in Europe. The dollar had fallen in the Far East because of small-scale Bank of Japan dollar sales in Tokyo and a report, which was later denied, that central bankers of the Group of Seven leading industrial nations had agreed to trading ranges of between Y130 and Y135 and DM1 and DM1.55 for the US currency.

Once again, the German central bank played the most active role in trying to curb the dollar's rise.

Neither the Bank of England nor the Bank of France joined in yesterday's central hank action, while the US Federal Reserve was absent during European trading hours. The dollar closed in London at DM1.5705 against DM1.5795 the previous day. *Sterling* advanced to $1.8585 from from $1.851.

After two days of intervention, it was far from clear thst the central banks had succeeded in quelling the market's new-found enthusiasm for the dollar.

Analysts say that the latest inflow of funds into the US largely reflects an adjustment of investment portfolios rather than short-term speculative money movements which are easier to reverse hy intervention.

Concerns about the German economy have weakened confidence in the D-Mark. Some investors believe that the US economy is about to recover from recession and are anticipating a rise in US interest rates following the recent fall to 6 per cent in the federal funds rate, at which banks lend to each other.

All change on dollar intervention, Page 5; Currencies, Page 42

Palestinians tell Baker not to ignore PLO in peace process

By **Hugh Carnegy** in Jerusalem

PALESTINIAN leaders in the Israeli-occupied territories yesterday told Mr James Baker, the US secretary of state, they would reject any attempt to bypass the Palestine Liberation Organisation to achieve an Arab-Israeli peace settlement.

The talks took place as Washington announced that President George Bush planned to visit the Middle East later this year. His trip could include stops in Kuwait, Israel, Egypt and Saudi Arabia. No dates or exact itinerary have yet been established.

US anger with the PLO and its leader Mr *Yassir Arafat* over the organisation's support for President Saddam Hussein of Iraq, provoked suggestions that an alternative leadership should he sought for peace talks, or that Palestinian representatives should be attached to an Arab state.

A group of 10 senior Palestinians from the occupied West Bank and Gaza Strip told Mr Baker during an bour-long meeting that they rejected this epproach, long demended by Israel.

"The PLO is our sole legitimate leadership and *interlocutor*, embodying the national identity and expressing the will of the Palestinian people everywhere," said the delegation, led by Mr Faisal Husseini, in a memorandum handed to Mr Baker.

Tha group put less empbasis on previous demands for an international Middle East conference but was unyielding on the role of the *PLO*.

Ms Hanan Ashrawi, one of the 10, said that Mr Baker had asked if they were willing to make a move with other Arab *states* hut independent of the PLO. "We said ..we will not give up our sovereignty to others to speak on our behalf," sbe said.

Mr Baker met the Palestinians after talks with Mr Yitzhak *Shamir*, the Israeli *prime* minister, and Mr Moshe Arens, the defence minister.

Both sides were reluctant to discuss the meetings. But Mr Avi Pazner, Mr Shamir's spokesman, said there was *"basic agreement"* on pursuing a two-track epproacti, by which progress towards normal *relations between* Israel and individual Arab states ran parallel to, but separately from, work on the Israeli-Palestinian dispute.

Referring to Mr Baker's comments that he bad been encouraged by what he called "new thinking" by Washington's Arab allies on the Arab-Israeli dispute, Mr Pazner said the start of a peace process might be in prospect, "but it is too soon to judge".

A looming obstacle is the refusal of Mr *Shamir's* hardline coalition to accept the "land for peace" formula enshrined in UN resolutions 242 and 338 which *the US* supports.

There was no sign yesterday of any progress on this key issue.

"To focus only on the UN *resolutions can lead* only to failure," ssid Mr Yossi Ben Aharon, head of the prime minister's office.

Saddam retakes rebel cities, EC calls emergency snmmit, Schwarzkopf flies in amid tight security, plus other Middla East news, Page 2

CONTENTS

Union referendum puts passion into Moldavian politics

President Mikhail Gorbachev's referendum *on the preservation of* the Soviet Union, *scheduled for Sunday,* has yet egain brought to boiling point the aimmering tension in the border republic of Moldavie.
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MARKETS

STERLING
New York lunchtime:
$1.8595
London:
$1.8585-(1.851)
DM2.9175 (2.9225)
FFr9.9525 (9.975)
SFr2.5325 (2.5375)
Y253.25 (255.5)
£ index 93.2 (93.4)

GOLD
New York: Comex Apr
$386.1 (368.2)
London:
$364.7 (366.05)

N SEA OIL (Argus)
Brent Apr
$18.425 (-0.125)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.572
FFr5.3585
SFr1.362
Y138.2
London:
DM1.5705 (1.5795)
FFr5.355 (5.38)
SFr1.362 (1.3705)
Y136.25 (138.0)
$ index 62.9 (63.2)
Tokyo close: Y136.05

US lunchtime rates
Fed Funds 6%
3-mo Treasury Bills:
yield: 6.03%
Long Bond:
$95\frac{22}{32}$
yield: 8.23%

STOCK INDICES
FT-SE 100:
2,454.8 (-4.3)
FT Ordinary:
1,947.8 (-8.4)
FT-A All-Share:
1,195.72 (-0.1%)
New York lunchtime:
DJ Ind. Av.
2,939.8 (+0.24)
S&P Comp
372.5 (-0.46)
Tokyo: Nikkei
26,727.42 (+58.05)

LONDON MONEY
3-month Interbank:
closing $12\frac{1}{4}$% ($12\frac{15}{32}$)
Liffe long gilt future:
Jun $91\frac{9}{16}$ (Jun $92\frac{7}{32}$)

EC calls emergency summit on Mideast

By David Buchan in Brussels

EUROPEAN Community leaders are to hold a special summit in early April to discuss what they can do to promote peace in the Middle East and how they can react more in common towards such crises as the Gulf war.

In response to France's call for a summit soon, Prime Minister Jacques Santer of Luxembourg, which holds ths EC presidency, said yesterday he was ready to call a meeting, possibly on April 5.

Mr Robert Kimmitt, tha US under-sscretary for political affairs, yesterday told the Nato Council that ths opportunity for peace-making had to bs seized quickly hefors attitudes hardened again into their pre-Gulf war mould. This was also the conclusion that the EC troika of Luxembourg, Dutch and Italian ministers brought back from their talks with Arab and Israeli leaders last week.

Despite the summit call, most EC leaders seem ready to let the US take the lead in peacs-hroksring. France, according to its foreign minister, Mr Roland Dumas, is willing to givs direct Arab-Israeli negotiations, as demanded by Israel and favoured hy Washington, a chance ahead of the international peace conference formula that Paris and its EC partners prefer.

Mr Kimmitt told Nato allies that Mr James Baker, the US secretary of state, had not been carrying a detailed hlueprint with him around the the Middle East, hut was sseking views on fostering post-war security arrangements, the peace process, arms control, non-proliferation and economic co-operation.

Anthony Robinson adds from Moscow: Prospects for a Middle East peace settlement dominated talks between Turkish President Turgut Ozal and Soviet President Mikhail Gorbachev in Moscow yesterday.

Mr Gorbachev and Mr Ozal also signed a friendship treaty, a double tax agreement and a new 10-year trade pact to further expand bilateral trade, which has quadrupled since 1985, in talks which also considered the creation of a Black Sea economic co-opsration zone.

The two leaders discussed the Kurdish question. Turkey and Iraq both have large Kurdish minorities while there is a small community within Soviet borders.

Mr Ozal is to visit the Ukraine, Kazakhstan and the largely Turkic-speaking republic of Azerhaijan and made clear that Turkey was interested in expanding trade and other tles with lndividual republics as well as Moscow.

Bonn brings poison gas charges

By David Marsh in Bonn

GERMAN public prosecutors yesterday charged 12 businessmen with helping Iraq make poison gas,the first court action over German companies' suspected involvement in Baghdad's war industry.

The action was announced by the Darmstadt public prosecutors' office which has been leading investigations into the Iraqi poison gas connection. The Darmstadt office has since 1987 been investigating activities in Iraq of a cluster of companies in the state of Hesse.

The charges lodged at the economic section of the Darmstadt district court allege that the accusedbroke German laws on illegal weapons transfers by passing cbemical weapons technology to Baghdad.

Prosecutors believe that plant sold to Iraq was designed not to make pesticides, as claimed hy the suppliers, but to manufacture mustard gas and nsrve gases such as Tabun.

The affair, centering on Iraq's Samarra complex, has been in the public eye since US officials accused Bonn of laxity in policing controls on exports of equipment to make chemical weapons.

The bringing of charges had been expected since German police arrested seven people in connection with the case last August. All hut one were released on bail.

The Darmstadt prosecutors originally investigated about 30 people in connection with the poison gas affair, but later scaled down the scope of the inquiry.

Scores of other German companies have been investigated for alleged illegal transfers for Iraq's non-conventional weapons programmes, but no other charges have yet been brought.

ALERT: Outlined against a hlack smoke-filled sky US troops guard Gen Norman Schwarzkopf in Kuwait city yesterday

Schwarzkopf flies in amid tight security

Kuwaiti port opens after allies clear mines

By Michael Field in Kuwait

THE Kuwaiti port of Shuaiba, ooe of the nation's largest, was reopened yesterday. It marked the beginning of a return to normal life with regular wster and food supplies expected to follow in the next day or so and materials for reconstruction later.

Shuaiba port, several miles south south of Kuwait City, is virtually undamaged and British and American divers found no mines in it, tbough there were some shells and otber small munitions on the bottom. The main mine hunting work has been done on tbe channel leading to the port.

After the reopening one American and one Soviet ship arrived, bringing fresh drinking water to Kuwait. Ths hope is that in the next few days cargoes of food will arrive followed by equipment and materials for reconstruction. The reopening of the port is expected to remove the bottleneck at tbe Saudi border, which has beeo the main cause of delay in resupply and reconstruction so far.

The shortage of food is beginning to become a problem in Kuwait. During the Iraqi occupation Palestinians travelled to Basra and Baghdad to buy supplies of hasic foodstuffs, which they sold under ths supervision of the leaders of each district of the town. Kuwaitis should be able to go to Saudi Arabia to huy food, hut for security reasons ths government has been slow to *issue them with travel documents* and in practice supplies from the kingdom have been few. The government has imported some rice and cooking oil, but many families say they cannot cook because they have run out of gas.

Serious shortages are developing and people are starting to complain of government incompetence. Most are existing on stocks built up during the occupation. Most shops are still closed and there is little bread to be had. The International Hotel, wbere the press corps is staying, is providing no food at all and one ministry with a temporary base there is *keeping its hread under lock* and key.

Reuter adds: Kuwait's ports chief Captain Abdel-Rahman Naibari said 10 berths would soon be operating at Shuaiba. Air traffic into Kuwait however remains minimal. *US officials* said it would be several weeks before the international airport could reopen to commercial traffic.

Meanwhile General Norman Schwarzkopf, commander of the allied forces that drove Iraq from Kuwait, scooped sand from a beach in the emirate yesterday as a souvenir of his victory.

The general flew in for a quick visit amid security so tight the US embassy was closed to all visitors.

Ths general met Kuwait's prime minister, Crown Prince Sheikh Saad al-Abdullah al-Sabah, and was due to hold talks *with Kuwaiti generals later in* the day.

Thousands of American soldiers are in Kuwait, many working to restore basic services snch as food supplies, water and electricity.

Saddam retakes two rebel cities

By Lara Marlowe in West Beirut and agencies

IRAQI troops retook two major southern cities as Kurdish rebels slowed their march on the main oil town of Kirkuk out of concern for 5,000 civilian hostages reported held there, anti-government sources said yesterday.

Reports from rebels in and outside of Iraq portrayed a country still torn by insurrection, with many areas see-sawing between government and insurgent control.

"Several towns change hands repeatedly," said one source at a meeting in Beirut of 325 Iraqi opposition leaders from 23 factions.

The Iraqi opposition leaders conceded that Saddam Hussein's troops had recaptured the Shia Moslem holy cities of Karbala and Najaf after heavy fighting there on Monday.

According to Iran's official media, the loyalist forces used napalm to try to crush the rebellion in Basra.

Iran's official Islamic Republic News Agency, monitored in Nicosia, quoted the Patriotic Union of Kurdistan as saying the government threatened to kill 5,000 Kurdish hostages, mostly women and children, who had allegedly been rounded up and taken to Kirkuk.

PUK spokesman Barhem Saleh said in London that fears for the hostages' fate was slowing the rebel advance on the city.

In Beirut Iraq's underground Shia Moslem Dawa Party yesterday dissociated itself from past bombings and assassinatioo attempts in Kuwait and extolled the virtues of parliamentary democracy.

With 40 delegates attending the conference, the Dawa has the largest representation of any single group. It claims to have the largest following inside Iraq.

The party had previously claimed responsibility for the 1983 bombings of the US and French embassies in Kuwait City and an attempt on the life of the Emir.

"Our weakest point is the world's misconceptions about us," said Mr Abu Bilal al-Adib, said the leader of the Dawa delegation to the Beirut Congress. "People mistakenly associate us with bombings in Kuwait and Beirut."

Dr Mowaffak al-Rubaie, a Dawa representative based in London said: "We have all recognised the need to have a parliamentary system. As soon as we get into Iraq, we have to have a general election."

Secular delegates have expressed fears that the Dawa and other pro-Iranian Shia groups would seize power if Mr Saddam is overthrown.

"The opposition will drive Saddam out, and afterwards the strongest will win." The same source said neither the Americans nor the Iranians want the rebellion to triumph — the Americans because they fear Iraq would become an Islamic Republic on the Iranian model, the Iranians because they believe Saddam's fall could lead to the installation of a pro-Saudi, pro-American puppet government in Iraq.

Hogg visits Syria for peace talks

MR DOUGLAS HOGG, UK minister of state at the foreign office, arrived in Damascus yesterday for talks on Middle East peace and Western hostages held in Lebanon.

He is the first British minister to visit Damascus since relations were restored in November last year after four years.

"We want to stress our willingness to establish good relations with the Syrian government," Mr Hogg said. Meetings would focus on ways to achieve peace in the region.

"I will ask the Syrians to persuade the Iranians to press the Lebanese groups holding Western hostages to free them, especially since Syria has helped and exerted efforts in the past to win the freedom of these hostages," Mr Hogg added.

Three Britons, six Americans, two Germans and an Italian are missing in Lebanon. Most are believed held by Shi'ite militants financed and backed by Iran, Syria's main ally in the region.

● Iraq was equipped with more ultra-sophisticated French laser-guided bombs at the start of the Gulf War than the French air force, Mr Pierre Lellouche, a top strategic analyst, has written in Le Figaro.

Iraq went into war with 240 AS-30 bombs, the pride of the French munitions industry, compared to only 180 for the French air force, he added.

Only the outbreak of the war and an arms embargo against Baghdad had prevented delivery to Iraq of a further 340 AS-30s.

Canadians hope to secure share of Kuwaiti contracts

By Bernard Simon in Toronto

CANADIAN businessmen have returned from Kuwait hopeful of winning a share of reconstruction contracts amid ths stampede by US, British and French companies.

The group, accompanied by Mr Joe Clark, external affairs minister, met the head of the US Army Corps of Engineers, which is supervising emergency reconstruction, and leading Kuwaiti businessmen.

Mr Jim Taylor, president of the Canadian Exporters' Association, and a member of the group, said that his message to Canadian companies will be: "The earlier that you get there, the earlier yon will make deals. Don't wait until the five-star hotels are up and all the telepbones are working."

Ottawa is now organising a much *bigger group to accompany* international trade minister John Croshie to Kuwait in late April or early May. In addition, the Canadian Commercial Corp, an agency specialising in government-to-government contracts, is expected to station a procurement expert at the Canadian embassy there.

Among the Items which Canadian companies are eager to supply to Kuwait are telecommunications squipment, helicopter services, power generation equipment, computer hardware and software, port handling equipment, a microwave airport landing system and a range of consnmer goods.

Mr Taylor said the gronp gained the impression that after the initial emergency pbase of reconstruction, "the Kuwaitis won't just be replacing what they lost. The sense we had is that they will look at the latest and the best".

Canada's contribution to the war effort consisted of a relatively small contingent of naval vessels, fighter-bombers and a field hospital.

David White, Defance Correspondent adds: Shanning Group, a UK medical equipment supplier, has won an \$11m order from the Saudi Defence Ministry for mobile medical units and says negotiations were well advanced for contracts in Kuwait. The contract for 150 Land Rovers is being financed from the multi-billion-dollar Japanese fund set up in support of allied forces in the Gulf conflict.

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INTERNATIONAL NEWS

Hawke takes an axe to tariffs

By Kevin Brown in Sydney

MR BOB HAWKE, Australia's Labor party prime minister, yesterday announced a package of tariff cuts, tax changes and other measures intended to bring the economy into line with its more dynamic Asian oeighbours.

Mr Hawke said the package would boost Australian competitiveness and help reduce the current account deficit, whicb is running at an annual rate of more than A$17bn (£6.9bn), in spite of a recession induced to cool the overheated economy.

"The days of our being able to hitcb a free ride in a world clamouring, and prepared to pay high prices, for our rural and mineral products are behind us," Mr Hawke told parliament. "The rest of the world will not allow us to cootinue indefinitely to live beyond our means by borrowing from them."

However, there was little new in Mr Hawke's statement, and most commentators criticiaed tbe absence of measures to speed up reform of the labour market and the transport sector.

"The government has missed a major opportunity to put the country on the right track to a competitive economy. Most of the measures are just tinkering at the edges," said Dr Michael Deeley, chairman of ICI Australia.

The strongest reaction came from the powerful environmant lobby, which opposes proposed legislation to give pulp and paper making companies secure access to forestry resources for projects worth more than A$100m.

The influential Wilderness Society said Labor had abandoned the environmental movement, which is credited with keeping the party in power at the last election a year ago. Tbe society said it would advise people not to vote Labor at the next federal election, due by 1993.

Mr Hawke said the package's centrepiece would be continued cuts in the general level of tariffs, from a target of betweeo 10 and 15 per cent next year to 5 per cent by 1996.

Tariffs on passenger vehicles will fall from 35 per cent next year to 15 per cent by 2000, and protection for textiles, clothing and footwear will be cut from a maximum of 55 per cent to 25 per cent. Import quotas will end in 1993.

Anti-dumping measures will be strengthened to prevent unfair competition, and prefarential tariff regimes for Singapore, Taiwan, Hong Kong and South Korea will end next year.

The tariff cuts were criticised by textile manufacturers and the five foreign-owned domestic car makers.

The package will cost A$33m this year, climbing to A$854m by 1992/93. Mr Paul Keating, the Treasurer (finance minister) said it would have no impact oo the projected federal budget surplus this year.

A child looks on as a soldier patrols in Alexandra township near Johannesburg yesterday where police and troops are trying to keep order

Pretoria drafts the end of apartheid

Legislation aims to take 187 laws off the statute book, writes Patti Waldmeir

THE South African government has tabled draft legislation to scrap all laws enforcing racial discrimination in residential areas and land ownership – but it resisted calls for compeosation for blacks whose land was seized under apartheid.

The laws which have ensured that blacks own only 13 per ceot of South Africa – though they make up three quarters of the population – are to be abolished as Sonth Africa's grotesque experimeot in social engineering is finally abandoned. Their abolitioo, which is expected to be effective by June, will fulfil a promise made by Mr F.W. de Klerk, the President, at the opeoing of parliament on February 1 this year.

A Britisb foreign office spokesman "warmly" welcomed the development and said he expected the Europeao Community to mova "swiftly" and lift the Community ban oo the import of iron and steel and gold coins from South Africa.

The African National Congress land commission said it found the draft legislatioo "deeply disappointing" because it ignored the passions aroused by the former policy of forced removals, and rejected outright the demands of displaced blacks for reparation.

Uoveiling the government's white paper on land reform yesterday, Mr Hernus Kriel, minister of planning and provincial affairs, put it simply: "Anybody will be able to buy any land anywhere in Sonth Africa" after the legislation was scrapped (the Group Areas Act and the Land Acts of 1913 and 1936, plus some 185 other laws).

But the estimated 3.5m blacks who have been evicted from their homes in the past 30 years to satisfy the demands of Pretoria's policy of "separate development" – whicb provided for all blacks to be removed from "white" South Africa to aeparate tribal "homelands" – would receive no compensation, and no opportunity to reclaim their property.

In a phrase which has enraged anti-apartheid activists, the white paper says only that it "would not be feasible" to restore land "to individuals and communities wbo were forced to give up their land on account of past policies or other historical reasons".

The comments of Mr Stoffel van der Merwe, minister for national education, who presented the white paper to the press, did little to help relations with tha ANC. He insisted that blacks "were not robbed of their property" – though they were forcibly removed – saying that in most cases alternative land was provided.

In addition, government would make no attempt to prevent discrimination by private sellers of land, Mr Kriel said. "If you're the owner of a property, you can decide whether to sell that property or not," Mr Kriel said. "You can't stop people from putting clauses into contracts which would bar sale to people of colour," he noted, adding that to do so would, however, be illegal according to South Africa's common law.

Mr de Klerk said in a statement that the aim of the oew legislation would be "to broaden opportunities for all, while preserving lawfully acquired rights".

Affirmative action to help blacks buy houses and obtain agricultural finance and extension advice was also announced, although there were few details. Some 300,000 people with registered leasehold rights or deeds of grant would be given full ownership almost immediately, and tenure rights on a further 1m residential sites could be upgraded to ownership in due course, the white paper said.

Up to 470,000 hectares of land would also be made available for black farming settlements, though this is a fraction of the amount anti-apartheid groups say is needed to satisfy black land bunger.

The white paper also proposas measures to protect "standards" in established communities, though ministers insisted they could not be used to enforce white exclusivity. "ft will be illegal for any local autborily to pass regulations ... whereby certain areas are reserved for whites, blacks, Indians or coloureds," Mr Kriel said.

However local authorities could make by-laws to maintain "norms and standards", including measures to combat over-crowding, to enforce the maintainence of premises "in a tidy and hygienic conditioo" and to ensure the "orderly and civilised use of public facilities".

Five laws to end segregation:

- **Abolition of Racially Baaed Land Mssaures Bill.** Repeals the Group Areas Act that segregates urban suburbs, the Land Acts of 1913 and 1936 which restrict black farming fo 13 per cent of the country, and the Black Communitiae Developmenl Act, which provided for the establishmenl of segregated black townships. Would give blacks equal property rights.
- **The Upgradlng ol Land Tenure Righle Bill.** Converts 99-year leases to full ownership for about 300,000 black householders; elngle property regisfar for all races; ownership of governmenl land currently loaned to rural tribes for communal farming transferred automatically to those tribes.
- **Residential Environment Bill.** Allows residents to set minimum standards for existing suburbs.
- **Leea Formal Townahip Eatabliahment Bill.** Speeds up creation and approval of new eettlements, mainly squatter camps and ehanty towns, all with minimum facilities.
- **Rural Development Bill.** Encourages farm developmenl and creation of new towns in rural areas.

This would allow neighbourhoods which chose to do so to "retain the particular community character of their area ... but no longer in a racially exclusive manner hacked up by statutory measures," the white paper said.

Gulf war result jolts N Korean thinking

By John Ridding, recently in Pyongyang

NORTH Korea is likely to reconsider military strategy after the crushing victory of the US-led coalition in the Gulf, according to diplomats in Pyongyang and Peking.

"The Gulf conflict was a nasty shock for the leadership in Pyongyang," says one diplomat in Peking. Ha believes North Korea's military, which depends on similar hardware to that used by Iraq, may now conclude that the type of war it had planned for against South Korean forces and US troops in South Korea is now a "non-option".

The border which divides the Korean peninsula has remained one of the world's most tense areas since the end of the Korean war in 1953. North Korea's 1.1m strong army faces South Korean forces of 650,000, which are backed by 43,000 US troops. The two sides have never signed a treaty ending the 1950-53 war and peace is maintained only by an armistice agreement.

Diplomats argue that the concentration of the bulk of North Korea's army in areas near the border with South Korea makes it vulnerable to a strategy of air strikes, used with such effect by coalition forces in Iraq and Kuwait.

They claim that this is likely to prompt Mr Kim Il Sung, North Korea's president and commander-in-chief, to consider re-deploying some of his troops to areas further north. "This is something we have been seeking a long time and would help reduce tension on the peninsula," says one western diplomat.

But even without troop movements, defence analysts see benefits from the outcome of the Gulf conflict. "The main impact of the war is on the minds," says one, "the greatest dividend is a demonstration that such aggression will not be allowed by the international community."

An Asian diplomat stationed in Peking also argues that the outcome of the war will boost the standing of the US military in the region. "People in Asia used to regard the US as a paper tiger because of its failure in Vietnam. But the Gulf war has changed all that."

Pyongyang will also be concerned about the performance of Soviet military hardware during the Gulf conflict.

NEWS IN BRIEF

Food and medical aid flown in to Baghdad

The International Red Cross sent more than 600 tonnes of food and medicine to war-ravaged Baghdad yesterday in a race to beat the threat of epidemics, Reuter reports from Amman. The International Committee of the Red Cross and other humanitarian aid agencies are worried that epidemics could break out soon in Iraq once the weather warms up, usually by the end of March.

The World Health Organisation estimates that Baghdad's water supply is down to 5 per cent of its pre-war level.

Spain ready to cancel Egypt debt

Spain is willing to cancel about half of Egypt's $1.3bn debt to Madrid, Spanish officials said on Tuesday, Reuter reports from Cairo. Mr Francisco Fernández Ordóñez, the foreign minister, told reporters after talks with President Hosni Mubarak that Madrid would take "a very positive attitude" towards reduction of the debt.

Syria frees Palestinians

Syria released hundreds of Palestinians from jail yesterday and guerrillas welcomed them to freedom in Lebanon by firing shots into the air, Reuter reports from Sidon.

About 300 Palestinians and some Lebanese loyal to Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, arrived in Lebanoo within boura of their release being announced, security sources said.

PLO sources in Tunis said 4,000 to 5,000 Palestinians had been in Syrian prisons, most held since relations between Arafat and Syrian President Hafez al-Asad soured in 1983.

China 'will not bale out HK'

China is concerned about the future financial stability of Hong Kong and would "not spend a penny" to bale the territory out of a monetary crisis after it regains sovereignty in 1997, Lu Ping, director of Peking's Hong Kong and Macao Affairs Office and China's most senior official with direct responsibility for the colony's affairs, said in Hong Kong yesterday, writes John Elliott in Hong Kong. "The burden would have to be shared with extra taxes by every Hong Kong resident and that is something we hope not to see because we want Hong Kong to maintain its low tax policy after 1997," he said.

Mood of crisis deepens as Soviet miners call strike

By **Quentin Peel** in Moscow

MINERS' leaders in the Soviet Union's two largest coal fields yesterday called for an all-out strike, demanding huge pay rises and the resignation of President Mikhail Gorbachev and his government.

The decision in the West Siberian Kuzbas, and Ukrainian Donbas fields, follows the refusal of Mr Gorbachev to meet the miners' leaders or hear their demands until all the miners return to work.

All the signs are that the industrial unrest, which began fitfully at the start of the month, is spreading and becoming increasingly political.

The Council of Workers' Committees in the Kuzbas decided on Monday to call e full-scale strike in the region, based entirely on political demands. They are calling for the resignation of Mr Gorbachev, the dismissal of the present Snpreme Soviet, tbe national parliament ln Moscow, and the lifting of all restrictions on the broadcasts of radical Russian radio and television, and demonstrating their support for Mr Boris Yeltsin, the Russian president.

In the Ukrainian Donbas, the miners' leaders yesterday called for an all-out strike, because the central government had ignored their deadline, on Monday, to meet their demand for a 150 per cent pay rise.

They claimed that 67 out of 254 pits in the coalfield were already backing the stoppage, 19 more than on Monday. In the Kuzbas, strike action has been patchy, but local journalists said this was a deliberate strategy by strike leaders to stagger their protest. This was now being stepped up.

Tass, the official news agency, which has consistently played down the strike action, admitted last night that "the situation in the Kuzbas is getting more complicated", with two mine construction organisations joining four striking mines in the towns of Novokuznetsk, Kiselevsk, and Berezovsky. Mass meetings were being beld at many other mines, the agency said.

On the other hand, both railway and steel workers in the region have been opposing the action, also urging a "yes" vote in Sunday's referendum on the preservation of the union as a unitary state.

Poll puts passion into Moldavian politics

By **Quentin Peel** in Moscow

PRESIDENT Mikhail Gorbachev's referendum on the preservation of the Soviet Union, scheduled for Sunday, has yet again brought to boiling point the simmering tension in the border republic of Moldavia.

On the one hand, the nationalist-dominated parliament in Kishinev, the republican capital, has formally voted not to hold the referendum. On the other, the dissident Turkic, Russian and Ukrainian-speaking minorities in the republic are equally determined to vote in favour of the union.

Caught in the crossfire, the local Communist Party has split between nationalist and loyalist forces, and Mr Mircea Snegur, president of the republic, who has hitherto attempted to reconcile the conflicting demands of Moscow and his parliament, has been forced to take sides to survive.

Moldavia, or Moldova as the parliament has renamed it, stands to lose "absolutely nothing" if it refuses to sign the new Union Treaty proposed by Mr Gorbachev, Mr Snegur told a weekend meeting of deputies and enterprise managers.

He called instead for the creation of a confederation of sovereign states, with loose ties to the centre, and a free right of secession.

Mr Snegur is under huge pressures on both sides. On the one hand, the Romanian-speaking majority in the republic support the radical Moldovan National Front, which wants outright independence. On the other hand, he faces a militant Russian- and Ukrainian-speaking population on the left bank of the Dniestr river, prepared to take up arms to stay under the protection of the union.

The work collectives of Tiraspol, the second largest city of Moldavia, are planning to organise their own poll. Last week they denounced the parliament for passing an "anti-people resolution" in deciding not to back the referendum.

The other rebel region splitting the republic is inhabited by the Turkic Gaganz people, equally bent on demonstrating their rejection of Moldavian independence.

Tass, the official Soviet news agency, yesterday reported that a "particularly active campaign to counteract the holding of the referendum" was being conducted by the Moldavian authorities.

"All towns and districts of the republic were toured by 1,700 government emissaries, who put pressure on those who want to participate in the referendum," the agency claimed.

Ironically the once-ruling Communist Party has been caught in the middle. On Monday, the Democratic Platform faction in the party issued a statement declaring that all attempts to reform the party from within and turn it into a democratic party had failed.

On the eve of the referendum, the group announced their collective resignation, and dissociated themselves from the Moldavian Communist Party's campaign in support of Mr Gorbachev's poll.

At the same time, political depression and apathy affects Moldavia like the rest of the Soviet Union. Even where the poll is organised, it may not get the necessary 50 per cent turnout.

An opinion poll just published by the All-Union Public Opinion Survey Centre shows that almost half those questioned would not have supported the reform process in 1985, if they knew where the changes would lead.

War costs mix with cyclical slowdown

By **Ian Davidson** in Paris

THE FRENCH government has acted early to meet the costs of the Gulf war and to respond to the slowdown in the economy with a crisp cut in its spending plans.

A FFr12bn (£1.2bn) cutin budget spending for this year, published over the weekend, is in line with forecasts. It is about 1 per cent of the total hudget scheduled for this year, but since wage costs (and the defence ministry) are excluded from the cut,the effect on other areas of government spending is more severe.

The total is made up of just more than FFr10bn in current spending cuts, plus reductions in investment programmes totalling about FFr5bn, of which the financial effect this year will be FFr2bn.

The government has explained the cutsboth in terms of the financial costs of France's military contribntion to the Gulf war, and by the sharp slowdown in the Frencb economy, which is redncing the inflow of tax revenues.

The depth of the slowdown is still something of an unknown quantity. The latest assessment by the National Statistical Institute (Insee) says that the growth rate at the beginning of this year had fallen to an annual rate of 1.5 per cent, compared with an average of 2.8 per cent last year.

The Gulf war has clearly played a part: the leading Paris department stores eppeared to be almost deserted during the war, and the impression is confirmed by their turnover figures for January which were 6.4 per cent down compared witb November-December. Tonrism was also badly hit – the travel agents' association reported a 50 per cent drop in business – though this was partly offset by better business in Frencb ski resorts.

The finance ministry expects recovery later in the year, however. Over the weekend, Mr Pierre Bérégovoy, the finance minister, reiterated his belief that tbe growth rate would reach 2 per cent this year.

In principle, the direct costs of the Gulf war, estimated at FFr8bn-FFr9bn, sbould be more or less covered by grants from other western countries which did not send military forces to the Gulf. Knwait has promised $1bn (£500m), Germany DM300m (£103m) and amounts from Belgium and Japan could bring the total to about FFr7bn.

But this is complicated by the fact that France is making financial contribntions to front-line countries in the Middle East, whicb could total FFr2bn. Tbe war has also caused e sharp deterioration in the losses of the French export credit guarantee organisation (Coface), whicb beve to be borne by the state.

Bonn set to write down Comecon's debt to east

By **David Mersh** in Bonn

THE GERMAN government is likely to accept large debt write-downs in forthcoming talks with the Soviet Union over repayments of billions of D-Marks of transferable roubles owed to Bonn under now-ebandoned East bloc trading arrangements.

As part of German reunification, Bonn has taken over East Berlin's former claims on members of the Comecon trading bloc built up in transferable rouble clearing accounts during past decades of East bloc trade.

Comecon ended use of the transferable rouble at the beginning of the year and went over to bard currency payments – one of the factors which has subseqoently led to a collapse in intra-Comecon trade. Because of East Germany's previons persistent export surpluses within tbe East bloc, Bonn has inherited large credit positions witb Comecon countries which will never be fully repaid.

Bonn calculates that the Soviet Union and other countries in eastern Europe owe Germany 10bn transferable ronbles as a result of the Comecon arrangements, or about DM23.4bn (£8bn) on the official conversion rate used by Bonn. The largest amounts owing are from the Soviet Union (6.4bn transferable roubles), followed by Poland (800m).

Economics Ministry officials say that Bonn will try to work out details of a repayment schedule in convertible currencies. They acknowledge that no Comecon country is likely to repay Bonn at DM2.34 per transferable rouble, which the former East bloc countries regard as far too high a rate.

The likelihood of large write-downs on this intra-Comecon debt adds to the problems of working out rescheduling for Germany's overall credits to tbe Soviet Union and east Europe. According to tbe Bundesbank, German banks' gross claims on Moscow doubled to DM19.3bn at the end of 1990 from DM9.7bn at end-June last year, as the result of heavy Soviet borrowing in the second half of last year.

A man walks past rows of new Trabant cars which have been stored in a field in the Czechoslovak town of Kralove for nearly a year. Although the prices of the east German-manufactured 'Trabies' have been drastically reduced, there have been very few buyers

Christian Democrats to welcome Tory MEPs

By **David Gardner** in Brussels

EUROPEAN Christian Democrat (CD) leaders are likely to decide next month on the form of an alliance with the British Conservative members of the European Parliament.

This follows the call by Mr John Major, the British prime minister, in Bonn on Monday for closer co-operation with the Christian Democrats in Strasbourg.

The 32 Tory MEPs – along with Danes – sit separately from the 122-strong CD European People's Party (EPP). The parliament is dominated by the 180-member Socialist bloc, and has a Socialist president, Mr Enrique Baron of Spain.

Heads of Government from those member states governed by Christian Democrat administrations or coalitions are expected to meet in Brussels on April 13. It is expected they will suggest a form of associate membership for the Euro-Tories. More than better co-ordination within the relatively powerless parliament is at stake.

The British Conservatives would have access to a powerful caucus within the Community, where six member states – Germany, Italy, the Netherlands, Belgium, Luxembourg and Denmark – are wholly or part governed by Christian Democrats.

The prospect of the strengthened coalition was greeted with caution by CD MEPs yesterday, while most Tories were ebullient at the prospect of ending their isolation.

But Mr Jean-Pierre Cot, French leader of the Socialist side of the House, warned of political problems if the balance of the parliament shifted rightwards. Mr Glyn Ford, leader of the UK Labour party's contingent, which makes up close to a third of Socialist number, said the move amounted to "a cobbling together of two very divergent groups".

Following Mr Baron's election to the presidency it was understood that the Christian Democrats would have a clear run when his term of office expires at the end of this year. Mr Ford denied there had been any such deal but "if there was, it's not going to operate now."

Negotiations on revision to the Treaty of Rome going on in Brussels are likely to invest Strasbourg, the poor relative of EC institutions with greater powers. This has already caused ructions within the parliament. In December, former French president Valery Giscard d'Estaing, believed to be seeking the presidency of the parliament, was nearly expelled by the 49-strong liberal group he heads for trying to forge links with both the Christian Democrats and the Tories.

Proposal to retain special coal and steel rules

By **David Buchan** in Brussels

THE European Commission will today propose keeping the special rules governing coal and steel for another 10 years to help these sectors complete their restructuring and to solve particular problems in east Germany.

Sir Leon Brittan, the competition commissioner, coming from a state - the UK - whose coal and steel industries have been radically transformed over the past decade, had last year suggested that the EC take advantage of the current revision of the EC treaties.

This would enable them to scrap the European Coal and Steel Community (ECSC) now, instead of the year 2002 when the ECSC treaty is due to end.

He argued that coal and steel no longer had any need of the special treatment provided under the ECSC, such as the restructuring aid, and permission to operate production cartels in the event of a recession which the EC steel industry received in 1980-88.

However, with the support of virtually all EC steel companies except British Steel, most of Sir Leon's fellow commissioners felt in general that the Community should be adding to, rather than subtracting from, its treaties and, in particular, that east Germany needed ECSC help to phase out its dirty brown coal production and modernise its steel mills.

Warning on EC's takeovers directive

THE European Commission's draft directive on takeovers risked creating a quagmire of corporate litigation if adopted in its current form, according to Sir Nicbolas Goodison, chairman of the TSB group, David Gardner writes from Strasbourg.

The draft - the amended proposal for a 13th Company Law Directive on Takeovers and other General Bids - sets down prescriptive minimum requirements for takeovers in Europe.

Tha current Luxembourg presidency of the EC wants to get the measure through by June. Sir Nicholas, the former chairman of tha Stock Exchange, argued for a framework of principles for national supervisory bodies to apply. He recommended the non-statutory style of regulation operated by the UK Takeover Panel.

Adopting a system based on statute would open takeover bids to national and European legal challenge, and would lead to the widespread use of tactical litigation to ward off bids, as practised in the US.

● The European Commission has given the go-ahead to a proposed merger between two Japanase banks witb operations within the European Community, Andrew Hill writes from Brussels. The volume of business conducted by the two banks – Kyowa Bank and Saitama Bank – meant the deal came within the tbreshold for preliminary investigation under recent EC merger regulations.

Retailers and environment issue

By **Philip Rawstorna**

FT CONFERENCE
FOOD & DRINK INDUSTRY

EUROPE's food and drink industries would have to pay more attention in tha next decade to consumers' concerns about the environment and personal bealth, Mr Michael Jackaman, vice-chairman of Allied-Lyons, said at an FT conference in London yesterday.

"I believe that many of our growth opportunities, and a few threats, in the 1990s lie in the change in the nature of the consumer, he said."

Environmentalism was not a passing fad. "The consumer's attitude towards a product will be increasingly determined by its apparent, not necessarily actual, environmental credentials."

Retailers in tbe UK had already embraced the environmental cause. "There is opportunity too for the astute manufacturer, but there are costs if things are taken to extremes."

Increasing numbers of consumers during the 1990s would be "worrying tbemselves to death" about their health, Mr Jackaman said. The anti-alcohol lobby – allied to a "tendency to health hysteria" – would pose a major threat to the drinks industry. Consumers would be willing to pay substantial premiums, too, for brands which matched their desired lifestyle or responded to their desire for excellence. But he added: "It will not be enough to attach the name of a chic international bouse to an overpriced product.

The importance of understanding tbe consnmer was emphasised by Mr Tom Knowlton, chairman and managing director of Kellogg in the UK.

"Consumer research is a vital tool in providing the insights required for product development," he said. Quality of customer service and support could be just as important as product quality.

Mr David Hearn, managing director, KP Foods, said that European consumers were gradually becoming more alike hut strong regional differences still remained.

The challenge to food and drinks companies would be to balance pan-European strategies with local marketing tactics, he said.

Further consolidation in the European brewing industry was forecast by Mr John Wakely, a director of Lehman Brothers International. Distribution difficulties had retarded concentration until recently but national barriers were coming down, and imports and exports were increasing.

Collective farms join in anti-Prague protests

By **Leslie Colitt** in Prague

THE Czechoslovak authorities yesterday faced mounting opposition to its reforms after 15,000 collective farm workers demonstrated in Prague to protest against the break-up of the large agricultural collectives.

The farmers are the latest social group to join a powerful array of forces aiming to undermine the government's ambitious reform programme.

Mr Vladimir Dlouhy, the economics minister, said the collective farms were inefficient and unwieldy but acknowledged that they were still the nation's sole source of food.

"What to do with them is a hot political issue," Mr Dlouhy admitted. He said he preferred using economic pressure on the collectives. But he added that he did not want to be responsible for "endangering their existence," he said in an interview before addressing the farmers.

One solution for the government is to retain the co-operatives under a pending land restitution and to allow previous owners, in so far as they existed, to join the co-operative.

The demonstrations coincide with grim news about Czechoslovak industry, whose producers, deemed "technically bankrupt", owe Korunas 80bn (£1.5bn) to their suppliers.

"This cannot go on much longer," Mr Miroslav Zamencik, a senior adviser to the Finance Ministry, said yesterday.

Mr Vaclav Klaus, the finance minister, who is the leading crusader for neo-liberalism, is surrounded by the economic debris of the Communist past.

Despite its commitment to reform, the government recently bailed out large state companies.

Following the switch to hard currency between the Soviet Union and its trading partners in eastern Europe, these Czechoslovak companies found themselves on the losing side.

Germany approves sale plan

GERMANY'S ruling coalition yesterday agreed that property confiscated by communist leaders in the former east Germany could be sold to investors against the wishes of the original owners if this was necessary to create jobs, Reuter reports from Bonn.

The agreement among the three coalition parties gives preferential treatment to investors until the end of 1992, but respects the rights of original property owners, as guaranteed by the German constitution and a treaty unifying Germany.

"We had to reach a compromise between protecting property and the wish for economic recovery," economics minister Mr Juergen Moellemann said.

The agreement overcomes a big obstacle to the economic recovery of eastern Germany.

A tangled web of property claims from more than a million Germans has deterred western businessmen from investing in eastern Germany.

"In the majority of cases where investments are not involved, the property will be returned to original owners," Mr Moellemann said.

"But in cases where investment is preferable, there will be an absolute priority for investors."

Uncertainty about who owns land has also prevented new companies from using property as security for loans which they desperately need to get on their feet.

The agreement is part of a package of proposals aimed at helping east Germany back on its feet. The Bundestag, the lower house of parliament, is expected to approve the bills on Friday.

The accord by the three coalition parties - the Christian Democratic Union, the Christian Social Union and the Free Democratic party - had been expected after FDP leaders approved it on Monday.

Last week public disagreement between Mr Moellemann and the justice minister, Mr Klaus Kinkel on how to tackle the sensitive issue of property rights threatened to open a rift in Chancellor Helmut Kohl's centre-right coalition.

● Asian and US crime rings are flooding Germany with fake and stolen credit cards, running up bills for tens of millions of dollars, the national police agency said, according to Reuter reports.

Damages last year totalled DM54m ($34m) nearly twice as much as in 1989, the Federal Criminal Police said adding that Germany was becoming a favourite haunt for foreign credit card criminals.

Groups based in Hong Kong, Malaysia, Singapore, Thailand and the Philippines were producing high-quality fakes, which were then smuggled into Germany.

TALKS UNDER WAY WITH BANKS

Pressure grows for Brazil deal with creditors

By Christina Lamb in Rio de Janeiro and Stephen Fidler in London

BRAZIL may be moving nearer to an agreement with its creditor banks over payment of arrears on its debt amid growing pressure both from President Fernando Collor and US agencies.

A further round of negotiations is under way in New York between Brazil and the advisory committee of creditor banks. Mr William Rhodes, senior international executive at Citibank, which heads the committee, said yesterday: "I'm hopeful that the time has arrived for a breakthrough on the arrearages and we may see that this week."

Brazil wants an agreement sooo to allow it to regain access to credit from multilateral agencies which has been restricted because of its lack of progress in debt negotiations with tbe banks, to which it owes more than $8bn in overdue interest. Two loans to Brazil, totalling about $700m, were scheduled on the agenda today of the board of the Inter-American Development Bank.

US banking regulators, meeting under the auspices of the Interageocy Country Exposure Review Committee (ICERC), are this week discussing raising the compulsory reserves required by US banks against their Brazilian loans from the current 20 per ceot level. Some rise is expected, but there may still be time to influence the percentage increase if a breakthrough is agreed on arrears.

Brazil is said to have offered to pay 30 per cent of the arrears due up to the end of last year, while the banks' last known position was just under 30 per cent. Brazil has agreed to pay 30 per cent of interest due in the current quarter, but has not made any commitment for future periods.

One of those most anxious for an agreement is President Collor who wants to bring forward a visit to the US for talks with President George Bush which is scheduled for June.

Although these issues may be resolved soon, agreement is still distant on a comprehensive accord on Brazil's medium-term debt.

FDIC chairman Seidman

US banks warned on dividends

By Peter Riddell, US Editor, in Washington

SOME US banks are paying out too much in dividends rather than using retained earnings to raise their capital, Mr William Seidman, chairman of the Federal Deposit Iosnrance Corporatioo, warned yesterday.

He was speaking ahead of the publication later this week of a FDIC report on bank earnings which, he said, was "not encouraging".

Mr Seidman expressed confidence that current proposals to recapitalise the financially strained bank insurance fund by raising premiums and borrowing under existing legislation would be sufficient, provided an economic recovery started in the middle of the year.

The FDIC has already agreed to increase the premium paid by banks from 19.5 to 23 cents per $100 of insured deposits and put in place $10bn of borrowing power, in addition to $5bn already authorised from the Treasury.

However, he warned that if the recession continued well into 1992 the bank insurance fund would be insolvent by the end of that year by around $6bn.

Consequently, the FDIC has proposed establishing a standby fund of $15bn, which would have to be authorised by Congress, as well as requiring a further sharp rise in premiums.

US current account deficit shows further improvement

By Michael Prowse in Washington

THE US current account deficit – the broadest measure of the country's international trading position – shrank to $99.3bn last year from $110bn in 1989, the Commerce Department reported yesterday.

This was the third successive annual improvement following a record deficit of $162.3bn in 1987 and the first deficit of less than $100bn since 1984.

The improvement reflected a fall in the merchandise trade deficit to $108.7bn, compared with $114.9bn in 1989, and an increase in the surplus on services to $22.9bn from $20.5bn. The net balance on investment income also shifted to a surplus of $7.5bn compared with a deficit of $900m in 1989.

These positive changes were partially offset by an increase in US overseas grants, mainly associated with the Gulf war. Forgiveness of Egyptian debt and grants to Israel exceeded cash contributions from allies towards the cost of the war.

The figures also showed a sharp reduction in net US capital inflows to $26.3bn compared with $87.6bn in 1989. This reflected the decline in the dollar, lower investment returns in the US and increased demands for capital abroad, especially in Germany.

Hollywood guards profits from TV networks

By Alan Friedman in New York

THE US Federal Communicatioos Commission (FCC), the regulatory agency for broadcasting and media, appears poised tomorrow to uphold rules preventing television networks from sharing in $3bn of annual Hollywood profits from the syndication of former prime time shows.

The five-member FCC will deliver its ruling after months of Washington lobbying by represeotatives of the Hollywood prodocers who make the programmes. Hollywood favours upholding the preseot rules, which bar the networks from buying an equity stake in the syndication rights.

The networks, which have seen a steady erosioo io their audieoce share and profits because of the rise of cable television and home video, argue that the 20-year-old FCC policy – known as the Financial Interest and Syndication (fin-syn) Rule – is out of date and should be modified.

The fin-syn rule was originally adopted by the FCC in 1970 – when the networks still had a stranglehold on prime time audiences – to ensure a fair sharing out of programme revenues. But the three major networks have since seen their prime time audience share drop from 95 per cent to 60 per ceot.

The FCC is split on the fin-syn issue. Mr Alfred Sikes, the commission chairman, and another commissioner favour deregulating the rules to allow networks a piece of the pie. Under present rules the networks may only buy the rights to air the shows, but cannot share in the lucrative syndication market that is dominated by Hollywood producers.

Mr Andrew Barrett, another FCC commissioner, has put forward a proposal that would essentially favour Hollywood. It is a version of this proposal that is expected to win in tomorrow's debate and vote.

It is Mr Rupert Murdoch's 20th Century Fox that could suffer most if the fin-syn rules are upheld; Fox has an emerging television network, but also makes many shows.

Peru reduces tariffs and frees exchange dealing

By Sally Bowen in Lima

PERU'S moves to liberalise its ecooomy have takeo a big step forward with the aonouncement of significant tariff cuts and the lifting of all non-tariff curbs on tbe import of consumer goods.

Foreign exchaoge dealiogs have been freed, to favour exporters who have been suffering from an overvalued currency. The measures were unveiled on Monday night by Mr Carlos Bolona Behr, who succeeded Mr Juan Carlos Hurtado Miller almost a month ago as economy minister.

A modified two-tier tariff system with imports at either 15 or 25 per cent - the previous top rate was 50 per cent - will mean immediate cuts in prices. Many of tbese are higher than in the US, despite a minimum legal wage of arouod $50 per month. Prices of basic products such as food and medicine would quickly fall, said Mr Bolona.

Imports where Peru has no comparative advantage will be subject to the 15 per cent tariff.

Ao estimated four-fifths of all imports will now enter Peru at the lower rate, altbough there will still be "reasonable" levels of protection for domestically produced consomer goods, the minister said. The higher tariff combined witb freight costs will ensure protection for two-thirds of national industrial production. Anti-dumping legislation is to be announced later this week.

Mr Bolona calculated that only 3 per cent of domestic industry would be adversely affected. This would be more than compensated for by the parallel boost to Peru's export activity "which is much more labour intensive".

A tough new campaign against tax evaders was also announced. Special prisons were already being prepared for "tax criminals" and tbe euthorities had started cross-checkiog tax returns against lists of property and vehicle purchases, be said.

Rationalisation of state bureaucracy could not be postpooed any looger, be said. All ministries bad been instructed to reduce expenditure by 10 per cent and state companies were to lose their "unjustifiable privileges."

Brazilian shops code is seen as recipe for chaos

By Christina Lamb in Rio de Janeiro

A NEW code designed to protect Brazilian consumers seems set instead to create shopping chaos.

Supermarkets througbout Brazil have stopped buying most stocks, complaining that neither they nor their producers have been given time to adjust labelling to comply with the new regulations.

The Consumer Defence Code issued on Friday requires shops to ensure that all merchandise is clearly labelled with ingredients, sell-by dates and production dates. Those caught selling produce without this informatioo face heevy fines.

Mr William Eid, vice-president of the Association of Brazilian Supermarkets, warned that severe shortages are likely. He said supermarkets in Saõ Paulo, Brazil's biggest city, and many other locations are refusing to receive 80 per cent of food and drink supplies from producers because they do not comply with the new code.

Brazil's largest supermarket group Pao d'Acucar has already suspended orders of many items. Mr Luiz Bresser Pereira, the chain's Commercial Director, complained that as it receives Cr1bn ($4.4m) of goods per day "to comply with the new decree would be physically impossible"

● Braziliao oilworkers' unions, on strike for 15 days, rejected a pay offer from the state oil company Petroleo Brasileiro (Petrobras), Reoter reports from Brasilia..

José Barbosa, a member of the national strike command, said the strike contioued. Unions did not accept an offer of pay rises of four to 50 pct made by the company on Monday. The unions are seeking an increase of 161 per cent.

The Higher Labour Court was due to sit yesterday continuing efforts to get a settlement, but the chances of agreement looked remote. Both sides have given very different figures on oilworkers' pay.

According to Petrobras, fuel stocks are running low and shortages of diesel could begin within days.

Brazil consumes 1.1m barrels of oil per day and most refining has been disrupted.

Five escape as aircraft aborts take-off

A CARGO aircraft skidded off the edge of a runway at Kennedy International Airport while attempting to take off yesterday morning, officals said, AP reports from New York. The aircraft erupted in flames hot the crew of five escaped injury.

The five people aboard Air Transport Flight 102 were safely removed from the DC-8 after the accident shortly after 9 am (1400 GMT), said Mr Mark Marchese of the Port Anthority.

"It appears the crew tried to abort (the takeoff) and it skidded," Mr Marchese said.

The five people aboard Air Transport Flight 102 were safely removed from the DC-8 after the accideot shortly after 9 a.m. (1400 GMT), said Port Anthnrity spokesman Mark Marchese.

The crew aborted its takeoff midway down the runway, Mr Marchese said. "The plane was smoking ... It came to a stop and burst into flames."

It was not immediately known why the takeoff was halted.

The aircraft was heading for Brnssela when the incideot occurred. Firefighters pumped foam on to tha burning aircraft as the airport was closed. said another spokesman, Bill Cahill.

The aircraft's wbeels and two engines snapped off while the plane skidded to a stop abont 200 feet (60 meters) away, another official said.

A 5-foot (1.5-meter) section of a wing also snapped.

Port Authority personnel at the scene said the five people on board declined treatment.

The plane was not carrying any hazardons materials, a Federal Aviation Administration official said.

Norway may seek compromise with EC over fishing

By Karen Fossli in Oslo

NORWAY may have to accept a compromise over its demand for tariff-free access for its fish and fish products to the markets of the European Community, under the European Economic Area agreement, Mrs Gro Harlem Brundtland, the prime minister, said yesterday.

Negotiations between the European Free Trade Association (Efta) and the EC to create a EEA are due to end in an agreement in the middle of this year.

But negotiations on fish between Norway and Iceland on one side, and the EC, on the other, have all but broken down and require diplomatic talks at a high political level, according to Mrs Brundtland.

The EC demands free access to the two countries' waters in exchange for similar access to the Community's markets.

Mrs Brundtland's suggestion of a possible compromise on the issue has angered the small anti-EC Centre party which has demanded that Norway stick to its original negotiating position.

The Centre party opposes the EEA agreement and wants Norway to renegotiate its current bi-lateral trade agreement with the Community. But the Community says this would not be possible.

Yesterday in the Storting (parliament) Mrs Eldrid Nordboe, the minister of trade and shipping, had to give assurances that in the negotiations Norway would continue to pursue duty-free access without throwing open to the EC the gateway to its fishing waters.

Norway argues that Norway's fishing industry has suffered a crisis during recent years because of a decline in fish stocks.

This has contributed to record levels of unemployment and now threatens a population exodus from the remote northern region of the country. This would have far-reaching political and security consequences.

The next high-level meeting between the two European trading blocs is scheduled to begin next week, but in April Mrs Brundtland will accompany Mr Frans Andriessen, head of the EC's foreign affairs and supervisor of the EEA negotiations, on a tour of northern Norway in a bid to create a better understanding of Norway's "special" fishing industry problems.

Recently the EC dropped dumping charges on Norwegian salmon exports, but in a separate case the US has levied a 26 per cent duty on imports, because of alleged dumping, which Norway has appealed to the General Agreement on Tariffs and Trade. In 1990, the EC imported 9,000 tonnes of Norwegian salmon, roughly 90 per cent of total Norwegian salmon exports.

Brazil wins backing over duty row with US

BRAZIL was backed by the European Community and more than 20 other countries yesterday when it called on the Gatt to adjudicate a 10-year-old dispute with the US over countervailing duties on footwear, writes William Dullforce in Geneva.

In collecting duties on imports of Brazilian non-rubber footwear between January 1980 and October 1981 Washington had violated Gatt's non-discrimination principle, the Brazilians claimed.

The US had acted differently in cases involving duties on imports of fasteners from India, wire rod from Trinidad and lime and textile products from Mexico.

The footwear dispute concerns an estimated loss of more than $80m in duties for Brazil and revolves round the date at which Brazil asked for an inquiry to determine whether imports of its products were in fact causing injury to US business. A panel set up under Gatt's subsidies code cleared the US in 1988.

But Mr Rubens Ricupero, Brazilian ambassador, stressed that a Gatt principle was at stake in that the US had discriminated against Brazil.

The US said 80 per cent of its consumption of non-rubber footwear now came from imports, Brazil being the second biggest supplier. But the US delegation said it would report back to Washington on the strength of the feeling in the Gatt council.

Europe new-car sales fall speeds up

By Kevin Done, Motor Industry Correspondent

THE decline in new car sales in western Europe accelerated in February with a 3.5 per cent fall to 1.06m, according to preliminary industry estimates.

Demand fell sharply in the UK, France, Spain and Italy as well as in several smaller markets. Overall sales were lower than a year earlier in 13 of 17 markets across western Europe.

The decline was moderated by a big jump in sales in Germany, the biggest single car market in Europe, where demand for both new and used cars has been fuelled strongly by reunification. (The accompanying table includes estimates for eastern Germany in the 1991 figures).

New car sales in Germany are estimated at around 319,000 last month, up 44 per cent from the 221,000 achieved in West Germany alone a year ago.

In the other big volume markets, sales fell last month by an estimated 8.4 per cent in Italy, 18.9 per cent in France, 25.7 per cent in the UK and 21.1 per cent in Spain. Sweden was worst hit with sales plunging 35.8 per cent.

In the first two months of the year, new car sales in western Europe, at 2.29m, were 2.9 per cent lower than a year ago. Sales fell in 14 of 17 western European markets and rose in only Germany, Austria and the Netherlands.

The surge in sales in Germany and the steep fall in the other four leading volume markets is causing a significant divergence in the fortunes of the big six volume car makers.

Fiat, suffering a steep fall in its domestic market share in Italy, and the two French car makers Peugeot, which includes Citroën, and Renault, have all suffered heavy falls in sales volumes in the first two months of the year.

At the same time, Volkswagen of Germany and General Motors (Opel/Vauxhall) of the US, the leaders in the German market, and to a lesser extent Ford, which is third-placed in Germany, have all boosted their overall European market shares with substantial gains in sales volumes.

The Volkswagen group, which includes Audi and SEAT, has boosted its sales volume 9.2 per cent in the first two months of the year, enabling it to increase its market share across western Europe to 16.2 per cent from 14.4 per cent a year ago.

In sharp contrast, the Fiat group, which includes Alfa Romeo and Lancia, has suffered a 12.3 per cent fall in sales in the first two months, depressing its market share to only 14 per cent from 15.5 per cent a year ago.

In Italy itself, where the Fiat group had earlier appeared impregnable, its market share has tumbled in the last two months to only 47.4 per cent from 54.6 per cent a year ago, reflecting a 15.3 per cent drop in sales volume.

Peugeot has suffered the biggest reverse across Europe in the first two months, with an estimated 16.5 per cent fall in sales volume. (The pattern of new car registrations in France has been distorted by a civil servants' strike more than a year ago, which artificially inflated reported sales in January 1990 and has therefore exaggerated the drop in demand this year).

With its dominant position in Germany, the Volkswagen marque has overtaken Opel/Vauxhall as the fastest-growing car brand among the volume car makers in Europe.

Volvo of Sweden, whose car operations plunged into loss last year, is among the hardest-hit car makers with a steep recession in its two leading European markets, the UK and Sweden. Its sales volume is estimated to have plunged by 21.1 per cent in the first two months of the year.

Sales of Japanese cars rose by 1.5 per cent in the first two months to capture 10.5 per cent of the market compared with 10 per cent a year ago, reflecting modest gains made by Nissan, Toyota, Mazda and Mitsubishi, and a small fall by Honda.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-February 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Feb 91	Share (%) Jan-Feb 90
TOTAL MARKET*	2,286,000	−2.9	100.0	100.0
MANUFACTURERS:				
Vulkswagen (incl. Audi & SEAT)	371,000	+9.2	16.2	14.4
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	320,000	−12.3	14.0	15.5
General Motors (Opel/Vauxhall, US# & Saab)	289,000	+8.0	12.6	11.4
– Opel/Vauxhall	279,000	+9.0	12.2	10.9
– Saab**	8,200	−21.6	0.4	0.4
Ford (Europe, US# & Jaguar)	282,000	+6.1	12.3	11.3
– Ford Europe	279,000	+6.7	12.2	11.1
– Jaguar	2,700	−35.3	0.1	0.2
Peugeot (incl. Citroën)	268,000	−16.5	11.7	13.7
Renault††	229,000	−9.9	10.0	10.8
Mercedes-Benz	81,000	+2.0	3.5	3.3
Rover†	66,000	−6.8	2.8	2.9
Nissan	61,000	+1.3	2.6	2.5
BMW	61,000	−7.9	2.6	2.7
Toyota	53,000	+1.2	2.3	2.2
Mazda	44,000	+2.7	1.9	1.8
Vulvo††	37,000	−21.1	1.6	1.9
Mitsubishi	30,000	+5.6	1.3	1.2
Honda†	23,000	−3.2	1.0	1.0
Total Japanese	244,000	+1.5	10.5	10.0
MARKETS:				
Germany*	654,000	+50.5	28.6	18.5
Italy	456,000	−2.4	19.9	19.8
France	335,000	−21.4	14.6	18.1
United Kingdom	288,000	−23.0	12.6	16.0
Spain	124,000	−24.9	5.4	7.0

*Includes eastern Germany in 1991.
#Cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : industry estimates

Brussels in Japan Eprom pricing agreement

THE EUROPEAN Commission has reached agreement with seven Japanese semiconductor makers, setting a floor price below which they will not sell a type of memory chip which retains information when the power is switched off, it said yesterday, Andrew Hill in Brussels and Michael Skapinker report.

The companies' pledges would prevent a recurrence of dumping in the EC of erasable programmable read only memory (Eprom) chips, the Commission added.

The European Electronic Component Manufacturers' Association (EECA) began seeking an inquiry into alleged dumping of Japanese Eproms in December 1986.

The Commission learned Japanese prices were "generally at levels well below production costs" and EC competitors had suffered considerable losses.

Since EECA complained, the Japanese share of the European market has fallen. Mr Byron Harding of Dataquest estimates Japanese companies captured 15 per cent of the $392m (£157.2m) European Eprom market last year, against 35 per cent in 1986.

The market was now dominated by US makers, with a 55 per cent European market share. European companies account for 30 per cent.

EECA said Japanese makers began to rein in low-priced Eproms exports after the complaint, but the inquiry had still taken too long.

The main reason for the delay was the Commission's preoccupation with a related EECA complaint about Japanese dumping of dynamic random access memories (D-Rams). That inquiry ended in January 1990 when Japanese exporters gave similar pledges.

The D-Ram market is larger than the Eprom business, with 1990 European sales of $1.14bn. Unlike Eproms, D-Rams do not retain information when the power is switched off.

Makers who gave Eprom pricing pledges are Fujitsu, Hitachi, Mitsubishi, NEC, Texas Instruments Japan, Sharp and Toshiba.

Brussels has imposed an anti-dumping duty to cover all other EC Eprom imports originating in Japan.

UN urges foreign investment in Vietnam

OFFICIALS of two UN bodies urged more than 600 foreign businessmen to invest in Vietnam, saying it had taken bold measures to improve conditions, Reuter reports from Ho Chi Minh City.

Mr Domingo Siazon, director general of the Vienna-based United Nations Industrial Development Organisation (Unido), told the Investment Forum for Vietnam that Hanoi had paved the way for growth by shifting from central planning to a market economy.

More than 600 foreign participants from Europe, Asia and North America and more than 400 Vietnamese business people and officials are attending the forum which lasts all week.

"The Vietnamese government has adopted innovative policies and issued bold directives aimed at encouraging the business establishment to seek actively improvements in product quality, productivity and output," Mr Siazon said.

Mr David Smith, the United Nations Development Programme representative in Vietnam, said the forum was presenting a list of 187 local industrial projects worth $8.8bn that were seeking foreign partners.

Diplomats said the forum was likely to give Vietnam a badly needed shot in the arm as it tries to cope with cuts in Soviet aid, a US trade embargo that denies it International Monetary Fund and World Bank credit, and nervousness over the collapse of communism in eastern Europe.

Last year, Vietnam made an important improvement to its foreign investment law by allowing private local companies to enter joint ventures directly with foreign partners.

Taiwan to sell steel shares and pave way for privatisation

A TAIWANESE government agency said yesterday that it would sell about 540m shares in state-run China Steel and China Petrochemical Development in April and May to pave the way for privatization, AP-DJ reports from Taiwan.

The Commission of National Corporation said it was prepared to sell some 370m shares (10 per cent) of China Steel to the public. The commission will also sell 170m shares of China Petrochemical Development. Together, the two sales will raise more than NT$8bn ($294m).

The sale, originally planned for last year, was delayed because of the falling stock market, officials said.

The state-owned Bank of Communications was expected to submit an application for a sale of stock in China Steel to the Securities and Exchange Commission this week or next, and sell the stock to investors starting in April. In May, stocks of China Petrochemical Development are expected to be sold.

In 1989, the government approved a proposal to privatize 19 state-run companies.

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UK NEWS

Price figures signal stubborn core inflation

By Rachel Johnson, Economics Staff

BRITAIN'S manufacturers are not containing rising costs but passing on higher prices at the factory gate, nfficial figures ahowed yesterday.

The Central Statistical Office annnunced that tbe output price index rose hy a monthly 0.5 per cent in February and hy an annual rate of 6.3 per cent.

As prices also rose by 6.3 per cent in January – after 5.9 per ceot in December – this run nf figures suggests core inflation remains stubbornly high in spite of the recession.

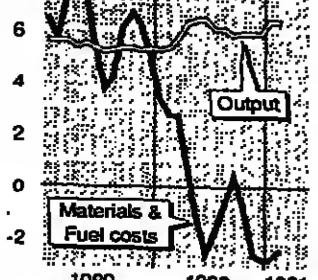
It is tbe second month running that output prices have defied stagnating demand conditions to rise by substantially more than expected.

January'a 1.2 per cent monthly increase was the biggest for 10 years and February's rise was at least 0.2 per cent higher than tbe market forecast.

However, the markets have learnt that poor wholesale price data do not necessarily

UK producer prices

% change over previous year



delay cuts in interest rates. The Treasury admitted the figures were "disappointing" but said it was optimistic that inflationary pressures at the factory gate would not feed through "into prices at the retail end." It hinted it would publish a rosier inflation forecast in the annual Budget statement due next week.

Officials pointed out that the figures conflicted with the majority of economic indicators and especially with a recent survey by the UK employers' association which showed that firms expected price increases to be the lowest in 15 years over the next four months.

Dealers say UK insititutions selling to Europe and Japan in electricity privatisation

Big profits made in power sell-off

By Clare Pearson and David Thomas

BIG profits were being made yesterday as millions of shares in the two electricity genereting companies changed bands on the first day of stock market trading.

The shares surprised dealers hy leaping to unexpectedly high premiums after particularly heavy trading prompted speculation of stake-huilding in National Power, the larger of the two generators.

Natiooal Power's shares closed at 137.5p and PowerGen at 137p, compared with the 100p partly-paid issue price. The sbares had been expected to trade in a range of 120p to 130p.

Mr John Wakeham, energy secretary, welcomed the £2.2bn sale of 60 per cent of the shares in botb companies as a "textbook exercise."

Mr Wakeham, who is widely credited with having rescued the electricity privatisation from the hrink of failure, has announced that ha would be standing down as a member of parliament at the forthcoming election.

By contrast, Mr Frank Dobson, Labour's energy spokesman, claimed that the taxpayer had loat £350m in proceeds hecause the issue had been underpriced.

The shares traded initially at around 122p when dealings dealings started at 2.30pm. But prices took off after very large deals were transactad in Nstional Power.

The rise was triggered when over 25m shares in the company were traded at 119p in three aeparate parcels just after 3pm.

Total volume was much heavier than expected at 381m shares, suggesting that about 15 per cent of the equity available in hoth companies had changed hands.

Dealers said UK institutions were selling stock to mainly Continental European and Japanese buyers.

The market rebounded with rumours of stake-building in National Power, although many analysts said the barriers to takeover built into the privatisation made large stakebuilding unlikely.

International groups involved in electricity generation or power equipment manufacturing were most frequently mentioned as potential stake builders.

These included Electricite de France and Framatome, two French groups, the General Electric Company of the UK, and Asea Brown Boveri, the Swedish-Swiss conglomerate.

EdF and Framatome were reported as denying the rumours. GEC refused to comment, but observers dismissed its involvement in stake-building as highly improbahle.

Yesterday's closing premiums cnuld cause renewed embarrassment for the government. Ministers had been anxious to avoid a repetitioo of the row after the sale of the 12 regional electricity companies, which opened at a 50% premium last December.

Huwever, advisers working on the privatisation of Scottish Power and Scottish Hydro-Electric, the two Scottish electricity companies due to be sold in June, are interpreting the sale of the English generators as models to be followed.

The Scottish privatisation seems set to repeat the unusual features introduced hy the government into the sale of National Power and PowerGen. In an attempt to hoost proceeds, the government asked institutions to bid to underwrite the shares.

The focus will now increasingly shift to the Scottish privatisations, which are expected to raise £1.5hn-£2bn if 100 per cent of the equity is sold.

The two Scottish companies will be marketed throughout the UK and to overseas investors, although the biggest incentives to iovest will be offered to the companies' customers in Scotland.

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Ministers may quit if tax scrapped

By Ivo Dawnay, Political Correspondent

MR John Major, the prime minister, yesterday came under intense pressure to announce the outcome of his poll tax review well before Easter as Labour redouhled its charges of "disarray and dithering" within the government's ranks.

Forced on to the defensive during MPs questions he promised only that "good progress" had been made and an announcement would be made soon.

As a sense of urgency grew notably in Westminster yesterday, Mr Major met Mr Michael Heseltine, the anvironment secretary, to prepare the government's position for today's debate on the community charge. The government has promised a review of the controversial poll tax, a local tax funding pnblic services.

The cabinet poll tax review committee is due to meet tomorrow prior to a full cabinet meeting, amid speculation that some junior ministers might resign if the poll tax is scrapped outright.

Blunkett: on attack

Last night, Mr Derek Conway, MP for Shrewsbury and a parliamentary private secretary at the Welsh Office, said he would resign if a property based tax was reintroduced. The poll tax replaced a rating system based on assessed property value.

Tory MPs also reported that Mr Christopber Chope, the roads minister and fnrmer leader of Wandsworth Council, and Mr Michael Forsyth, the Scottisb minister, have also let it be known that they would consider resignation if the poll tax goes.

In a series of exchanges during question time, Mr Neil Kinnock, the Lahour oppnsiton leader, repeatedly challenged his opponent to reveal what the government planned to do. "Why don't you do the sensible thing: abolish the poll tax completely, which is what the whole of Britain wants," he said.

However, the proposal served only to reveal the divisions within Tory ranks when aeveral Conservative hackbenchers shouted "no" at the abolition plan.

In bis counter attack, Mr Major claimed that Labour had failed to calculate what its "fair rates" alternative policy would cost homeowners, particularly in the Midlands and South of England. And be went nn tn add that Mr Kinnock would find out "soon enough" what the government planned.

But the prime minister's replies did little to comfort some Tory MPs now growing iocreasingly anxious for a decisioo to rebutt Labour's accusations tbat the Cabinet is unable to reach agreement.

Capitalising on the government's discomfiture, Labour's local government spokesmen, Bryan Gould and David Blunkett, stepped up their attack by publishing a 15-page "Dossier of Disarray and Ditbering." It contained quotatioos from ministers and Conservative pamphlets in support of the tax and criticising Labour's calls for its abolition.

Later last night, Mr Kinnock published an open letter to the prime minister nffering co-operation if the government immediately tabled legislation to abolisb the tax.

"If you reject this proposal then you and your government will, of course, be quite needlessly prolonging the cost and injustice of tbe poll tax," the letter concluded.

● MORE THAN 7.5m summonses for payment of poll tax have still to be processed, and courts will need a "significant injection of resources" to cut the backlog.

Major signals subtle break with the past over Europe

Philip Stephens senses disquiet over Tories' change of tack

THE pressure on Mr John Major in recent days has been to demonstrate leadership. On one of the issues at the heart of Mrs Margaret Thatcher's downfall he has now done so.

The judgment of most of his colleagues at Westminister yesterday was that he had made the hreak with his predecessor's policy on Europe decisively but with skill.

Mr Major's promise in Bonn that Britain would be at the heart of Europe's future stirred some disgruntled voices, notahly that of Mr Nicholas Ridley, the former trade and industry secretary.

Mr Ridley, never one of his most fervent admirers, said the prime minister was giving the impression that "he would agree to everything."

"Everything" in this context means the single European currency and the federalist political union sought by the more amhitious of Britain's European partners. The same disquiet was voiced privately by some Tory MPs who still see Mrs Thatcher's Bruges speech as the touchstone against whicb all otber pronouncements should be judged.

The structure of Mr Major's speech, however, left them with insufficient ammunition to launch a puhlic attack. The break witb tbe past was explicit in terms of the language, but the prime minister offered no hostages to fortune on the substance of policy.

It was significant that while he made no mention of the primacy of national sovereignty in the debate on Europe's future, he did not go far as to disavow it. Anti-federalists such as Mr Teddy Taylor, a backbench Tory MP, were left to claim that Mr Major had "conceded absolutely nothing."

But on the other side of the argument the Euro-enthusiasts share Mr Major's judgment that he is now well on the way to neutralising Europe as an issue within his party in the run-up to the general election.

They believe – as Sir Geoffrey Howe, the former deputy prime minister whose resignation sparked tha Tory leadership contest, commented yesterday – that the change in style will merge gradually in substantive shifts in policy,

John Major and Helmut Kohl

but at a slow enough pace to deny Mr Ridley the opportunity to provoke a confrontation.

It is an assessment that may prove over-optimistic. But for the moment Mr Major can claim that both domestic and European politics are on his side.

At Westminister, the view among ministers is that aside from a handful of die-hard anti-Europeana, most Tory MPs have neither the energy nor the inclination for another civil war over Europe. The approach of the general election reinforces that predeliction.

In Europe, Mr Major is confident that the argument over the pace of integration is going firmly his way. After his talks with Chancellor Helmut Kohl, one of the prime minister's closest aides claimed that Germany had all hut ahandoned a fixed timetahle fnr economic and monetary union.

Support for the Delors blueprint in several other capitals was also crumbling fast.

The aide was aimilarly upbeat abont Bonn's approach to closer co-ordination of foreign and defence policies.

Chancellor Kohl, lika Mr Major, saw an enhanced role for the Western European Union as an essential bridge between the Community and Nato.

Mr Major has on this occasion neatly finessed potential opponents within his own party, hut not everyone at Westminister is convinced that he can continue indefinitely to pull off the same trick.

Mrs Thatcher'a acid remarks in the US about the dangers of German domination of a European "superstate" were mucb more than a chance judgment.

The former prime minister is said hy close associates to be ready to suspend judgment on whether her chosen successor is squandering her legacy in domestic policy.

But if she judges that Mr Major's emollient tone on European integration threatens a further transfer of sovereignty from Westminister to Brussels, she might well break publicly with him. She could take scores of Tory MPs with her re-opening the wounds that provoked her downfall.

Mr Major has demonstrated that he is perfectly capable of climhing onto the high-wire. Now he has to stay on it.

UK NEWS

AVIATION POLICY

US eases stand on European mergers

By Peter Riddell, US Editor in Washington

THE US administration will no longer object if a UK airline such as British Airways buys a 49 per cent interest in a European carrier in order to win rights to fly direct from the Continent to the US.

Until now the US would have objected to this kind of deal, arguing that such an acquisition was just another way to gain rights to fly direct to the US which should be negotiated between the relevant governments.

US officials acknowledged the change of practice as a consequence of the bilateral airline access agreement reached on Monday.

One part involves allowing British carriers the right to fly from six European countries – Belgium, France, Germany, Ireland, Luxembourg and the Netherlands – direct to the US. Mr Samuel Skinner, the US Transportation Secretary, said that under the "unserved-cities" doctrine a British carrier would be allowed to fly from Seattle to Sydney, Australia, though not from Los Angeles, as the British side had sought.

This is part of the substantial extension of cities in Latin America and Asia which British carriers will be able to serve from flights stopping in the US.

Mr Skinner said he hoped to reach a decision within a week on the proposed takeover of TWA's routes to Heathrow by American Airlines. The decision will also require Justice Department approval, though his comments indicated that the go ahead would be given.

Meanwhile, British lawyers acting for 400 London-based employees of Pan Am – the US carrier which has sold its Heathrow London rights to United – yesterday issued a writ in an attempt to make United Airlines offer them employment on the same pay and conditions as they currently enjoy.

Hedleys, a solicitor, says United, which this week won permission to use the Pan Am routes, has offered only 300 of them jobs, all on terms less favourable than they enjoyed under Pan Am.

They will argue in the High Court on Friday that, under transfer of undertakings regulations approved by the UK parliament in 1981, all 400 have a right to jobs similar to those they presently occupy.

The regulations stipulate that when one business is bought by another it must take on its employees on the same terms and conditions.

● Profits of BAA, Britain's leading airport operator, will be hit by the UK recession and the steep decline in air travel, Sir Norman Payne, its chairman, warned yesterday.

Sir Norman said BAA had expected a small increase in profits in its latest financial year ending this month, but it had suffered revenue losses of between up to £2.5m a week during the last two months.

● *Hopes of a deal to save Air Europe seemed to be fading ahead of today's deadline for administrators to sell the company. If no buyer is found for the airline, part of the collapsed International Leisure Group, the Civil Aviation Authority will rescind the carriers licence.*

Gatwick enters turbulent air space

The future of London's second airport is uncertain, writes Paul Betts

THE collapse of Mr Harry Goodman's Air Europe could not have come at a worse time for Gatwick, London's second airport.

Gatwick, like the rest of the aviation industry, was already coming under pressure from the combined effects of the UK recession and the slump in air travel caused by the Gulf war. The demise of Air Europe has now deprived the airport of its second biggest airline customer after Dan-Air, the other second-tier UK carrier.

The government's recent decision to scrap most of the London air traffic distribution rules and the new bilateral air service pact agreed with the US this week have created additional uncertainties over Gatwick's future as London's second international scheduled airport and the dominant UK charter airport.

Yet of all the immediate difficulties facing Gatwick, the collapse of Air Europe and its parent International Leisure Group causes greatest concern to Sir Norman Payne, the chairman of BAA, formerly the British Airports Authority, which owns the airport.

"We are particularly worried about its effect on the inclusive tour business, because it will cause people to think twice before putting down money for a holiday in advance."

Air Europe accounted for nearly 3m passengers using Gatwick last year, 14.2 per cent of Gatwick's passenger traffic compared with 16.8 per cent for Dan-Air. The collapsed carrier also accounted for the biggest single proportion of air traffic movements at Gatwick, with 19.7 per cent of all take-offs and landings last year.

Air Europe's charter business is expected to be distributed among other charter carriers. "Some will go to Dan-Air and stay at Gatwick, a small amount will go to Luton, some to Stansted and some to Heathrow," Sir Norman predicted.

Air Europe's busy Gatwick to Brussels scheduled service was operated for the first time since the grounding of the Air Europe fleet last Friday by Dan-Air yesterday. Dan-Air was quick to move in last week, applying to the Civil Aviation Authority for licences to operate 10 of Air Europe's international routes. The CAA has granted it a four-week licence to operate the Brussels service.

Apart from Dan-Air, the CAA expects other carriers like BA or British Midland Airways to consider applying for some of the Air Europe routes.

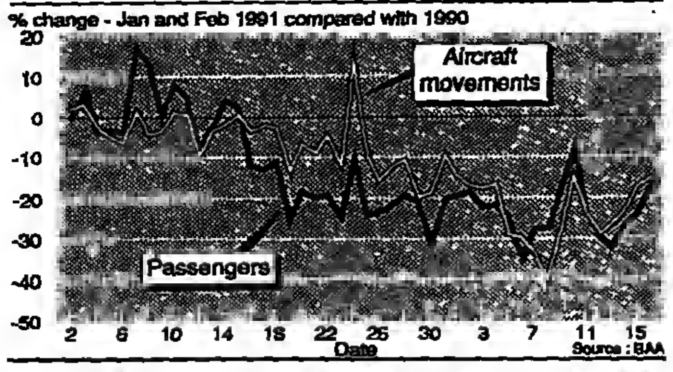
Gatwick has more scheduled traffic than charter. "It's about 52 per cent scheduled," Sir Norman said. "This percentage may wobble a bit but in two to three years time, we should see more scheduled than charter again at Gatwick."

Concern has increased over Gatwick's future as an international scheduled airline airport because of the scrapping of rules restricting access to new airlines into Heathrow airport. There is expected to be strong demand for Heathrow rights from international airlines which had been forced to operate out of Gatwick under the old rules.

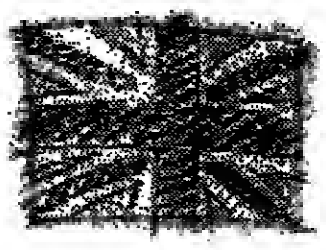
Sir Norman believed that the amount of traffic which would now switch from Gatwick to Heathrow would not be as significant as many reports have suggested. "This issue has been overblown in the press," he said.

How traffic at Gatwick has fallen

% change - Jan and Feb 1991 compared with 1990



BRITAIN IN BRIEF



UK-French venture wins power deal

The European Gas Turbine Company (EGT), a subsidiary of GEC-Alsthom, the Anglo-French power engineering joint venture, has been awarded a £90m contract to build a gas-fired combined cycle power station at Brigg, northern England.

The Brigg order is the third gas turbine power station contract won this year by EGT, which is a joint venture between General Electric of the US and GEC-Alsthom. EGT won its first gas turbine contracts in January for power stations to be built at Corby and Peterborough, both in central England.

Party sets out transport plan

Road pricing and an increase in the cost of petrol were at the heart of radical proposals to reduce congestion on Britain's roads set out by the centrist Liberal Democrats in a new transport policy document.

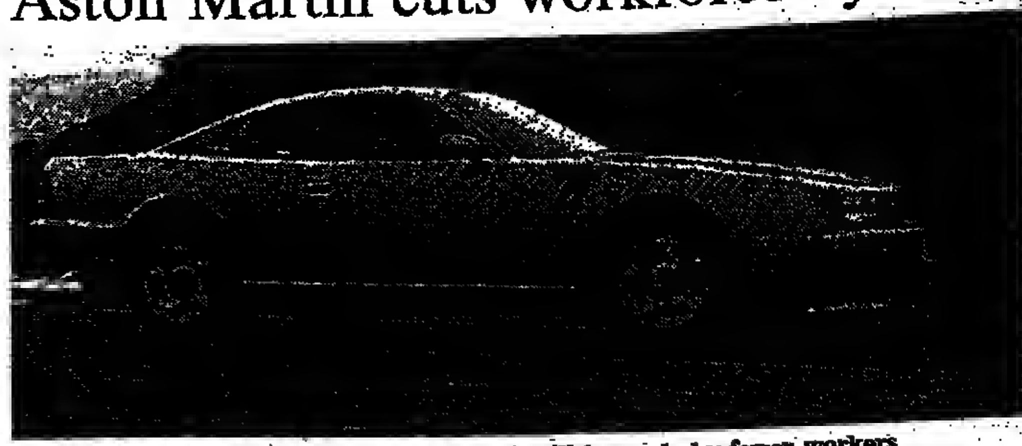
The aim of the party's proposals is to reduce the need for private transport. Other proposals include construction of a high speed rail link from the Channel Tunnel.

Pay deals urged

The government should back a system of co-ordinated national wage bargaining by setting up a statutory Pay Advisory Commission to monitor pay negotiations, according to the Institute for Public Policy Research group.

A IPPR paper backs pay bargaining to counter a big rise in unemployment after Britain's entry to the European Monetary System.

Aston Martin cuts workforce by 16%



Product to be preserved: the Virage (above) will be made by fewer workers

Aston Martin, the UK luxury sports car maker, is cutting its workforce by 16 per cent from 535 to 450 and is reducing its planned output for 1991 by a quarter in the face of recessionary pressures in the US and the UK, its two most important markets.

The company, which is 75 per cent owned by Ford of the US, is understood to have made a loss last year of more than £1m on a turnover of around £27m. Mr Victor Gauntlett, Aston Martin chairman, said losses were expected to be higher this year. "We still want to preserve our product programme," he said.

Overseas aid for Ulster

The International Fund for Ireland, set up four years ago to promote reconciliation between Protestants and Roman Catholics in Northern Ireland, has announced allocations of £43m to meet project needs this year.

The largest allocation of £13m will be devoted to a special disadvantaged areas initiative which is aimed at stimulating enterprise and providing jobs in areas of greatest social need.

The International Fund was set up after the Anglo-Irish agreement was signed with the United States, Canada and New Zealand. The European Community has also supported the fund.

More job cuts at naval yard

Babcock Thorn, the consortium operating the Rosyth naval dockyard in Fife, Scotland, are to shed an unspecified number of jobs because of the reduction in the government's warship refitting programme caused by last year's policy document Options for Change.

Mr Allan Smith, managing director, said the number of jobs that would be lost was in the hundreds, but refused to be specific because there remained possibilities of obtaining further shipping contracts.

Tax warning on education reform

Transferring education from local to central government control would add up to 9p to the basic rate of income tax, the Association of Metropolitan Authorities said.

The switch of schools from control by local education authorities to grant-maintained status under the supervision of the Department of Education and Science would require additional central funding to compensate.

"Nationalising education may appear superficially attractive but it is misguided," said Councillor Stephen Byers, chairman of the labour-dominated AMA education committee. "It will undermine local management of schools and increase costs."

Fashion groups seek buyers

Buyers are being sought for six clothing companies that have gone into administrative receivership threatening the jobs of 150 people.

The companies include Gor-Ray, renowned for its circular pleated skirts, which was rescued from the receivers a few years ago. Gor-Ray and the other five companies – Sens-Unique, Jenina, Julius, Corneyhurst and Peter Martin – are all based at the same building in north London. The companies were also all run by the same people.

Share deal for Scots workers

Employees of Scottish Power and Scottish Hydro-Electric, the electricity companies, are to be offered £140 worth of free shares when the two companies are privatised in June.

In the first disclosure of details of the flotation of the two companies, Mr Ian Lang, the Scottish Secretary, spelled out a range of concessions for employees and pensioners of the two companies.

Scottish Power, which operates in the south of the country, employs about 9,700 people and Scottish Hydro-Electric, operating in the north, about 3,600.

BBC criticised on advertising

The BBC was accused of "blatant distortion of competition" by promoting its magazines on its channels.

The accusation was made by Mr John Sadler as his report into cross media promotion was published. The "traffic" for BBC magazines such as the Radio Times amounted to free advertising and were examples of distorted competition, he said. "I don't think the BBC's position as a public service broadcaster is justification for what I regard as distortion of competition," said Mr Sadler, a former Monopolies and Mergers Commissioner.

FT LAW REPORTS

NATIONAL IRANIAN TANKER AGAINST JAGUAR LIBERIAN TRANSPORTS

Time-charterers can extend ship's re-delivery period

WORLD RENOWN
Queen's Bench Division (Commercial Court): Mr Justice *Hobbouse*: March 7 1991

TIME-CHARTERERS are entitled to order the chartered vessel on a final voyage which will exceed the charter period, if the charterparty expressly permits them to continue to hire the vessel for snch extended time as will enahle her to complete the round voyage on which she is engaged when the charter period expires and to return to port of re-dalivery.

Mr Justice Hohbouse so held when giving judgment for National Iranian Tanker Co, defendant charterers of the *World Renown*, on a claim by the plaintiff shipowners Liberian Jaguar Transports inc, for damages for late re-delivery of the vessel.

In a second dispute, Mr Justice Hobbouse gave judgment for National Iranian Tanker Co as defendant charterers of World Symphony and World Renown, on claims by the plaintiff shipowners, Chiswell Shipping Ltd and Liberian Jaguar Transports Inc respectively, for damages for loss of interest on sums paid late under the charterparties.

HIS LORDSHIP said in the first dispute the charter, which was on the Shelltime 3 form, was for "six months 15 days more or less in charterers' option". The charterers exercised their option for a 15-day extension. The latest date for re-delivery was December 24 1988.

Clause 18 provided that oot withstanding clause 3, "should the vessel be upon a voyage at the expiry of the period of this charter, charterers shall have the use of the vessel at the same rate and conditions for such extended time as may be necessary for completion of the round voyage on which she is engaged and her return to a port of re-delivery".

On October 4 1988 the vessel was en route on a laden voyage from Sirri to Rotterdam. Charterers instructed the Master, after completing discharge at Rotterdam, to return to Sirri and load a further cargo for carriage to Rotterdam.

On December 24 the vessel was on a voyage from Europe to the re-delivery range, being the ballast leg of her final round voyage. She did not arrive back in the re-delivery area until January 18 1989.

The shipownars said the charterers had wrongly ordered the vessel to perform the final voyage, and claimed damages for late re-delivery.

The principal authorities relevant to the obligations of charterers to redeliver vessels under timecharters had been comprehensively reviewed hy the Court of Appeal in *Hyundai Merchant Marine -v- Gesuri Chartering [1991] 1 Lloyd's Rep 100*. In the absence of clause 18 it would be clear beyond argumant that charterers bad breached two obligations.

First, they had ordered the vessel on an "illegitimate" last voyage, that was to say, a voyage which could not reasonably have been expected to be completed within a time which would enable the vessel to be redelivered before expiry of the charter period. Second, charterers had broken their obligation to redeliver within the charter period.

Mr Eder for the shipowners submitted that clause 18 must be construed recognising the existence of both those obligations. Accordingly, any liberty to complete a final voyage at the charterparty rate presupposed that that voyage was not an "illegitimate" final voyage. *He said "voyage" in clause 18* meant a "legitimate" voyage.

Tha *Hyundai* charterparty was on the Nype form. It provided a time for re-delivery "minimum 10 months, maximum 12 months timecharter, exact duration in charterers' option". The charter also provided that hire was to continue until re-delivery. Charterers argued that that wording gave them the right to order the vessel upon a last voyage which would exceed the 12 months maximum. The argument was rejected. Lord Justice Bigham said "the nature of a timecharter is that the charter is for a finite period of time".

A similar decieion was reached by Mr Justice Steyn in *Black Falcon [1991] 1 Lloyd's Rep 77* oo a Nype charter.

Mr Gee for the charterers submitted that *Hyundai* and *Black Falcon* were distinguishable because the present charter included an express provision extending the cbarter period. He further suhmitted that it had already beeo beld in otber cases that was the effect of clause 18 aod the court should follow those earlier decisions, not the recent decisions which were concerned with another wording.

The wording in clause 18 was in current use at the beginning of this ceotury. In 1900, two cases were decided by Mr Jostice Matthew and Mr Justice Bigham respectively, *Bucknall -v- Murray 5 Com Cas 312* and *Dene Steam Shipping -v- Bucknall 5 Com Cas 372*. Each concerned a timecharter for "ahout six caleodar months". Clause 23 provided for extension in effectively the same wording as was used in clause 18 in the present charter.

In *Dene* the six mootbs expired on Novemher 12. On October 24 the vessel completed a voyage discharging at Barcelona. The day before charterers ordered the vessel to perform a voyage from Potti in the Black Sea to Baltimore or Philadelphia. Owners objected saying that would exteod the voyage to abont eight months instead of six. They did not reject the order but claimed damages.

Mr Justice Bigham said the charterers, in entering into the charterparty for the voyage from Barcelona, were acting within the liberty givan hy the charterparty and by the express terms of the contract, were entitled to complete tha voyage on paying hire in accordance with the terms of the charterparty.

He said "it was contemplated hy the parties when they entered into this charterparty that hire would not only be for about six months, but might be for such an exteoded period as might be necessary for completion *of a voyage*... upon which the steamer might be engaged when the six mooths expired".

The *Murray* judgment was to like effect. In *Murray* the statement of opinion was *dicta*; in *Dene* it was the *ratio decidendi*. The judges construed the relevant clause as converting what would otherwise be a simple period charter into a charter oo timecharter terms for the calendar period plus such further period as was necessary to complete the voyage on which the vessel was engaged when the calendar period expired.

It was thus a charter which did not fit neatly into one of tha classic categories, hut contained hybrid elements.

There was no snbsequent authority which cast any doubt on the correctness of the *Murray* and *Dene* decisions.

Accordingly, despita *Hyundai* and *Black Falcon*, the court should follow *Dene*. The case was indistinguishahla from *Dene*, and the charterparty wording was distinguishahla from the wording in *Hyundai* and *Black Falcon*.

The charterers' order to proceed on the final round voyage was an order they were entitled to give under clause 18. They were not in breach of charterparty. The owner's claim under this head accordingly failed.

The second dispute arose under all three charterparties. The charterers were liable to pay sums to the shipowners. They paid late. The shipowners said they had suffered loss in the form of lost interest. They claimed damages from the charterers at Common Law.

They accepted that they could not recover under statnte; the debts were discharged before the action was started. Mr Eder submitted they could be recovered as special damages.

It would be a fiction to say that the loss of benefit claimed by the shipowners was anything other than an ordinary loss such as would be suffered hy any husiness entity. The ehipowners had not put forward facts which showed a specific loss. They merely showed ordinary *prima facie* loss of benefit that flowed from not having free cash. They made no allegation of special knowledge on the part of the charterers at the time of making the relevant contracts.

The case was not lika *Wadsworth -v- Lydall [1981] 1 WLR 598* where the plaintiff was left financially embarrassed by the defendants' breach in circumstances where the defendant knew or ought to have known that tbe plaintiff would be likely to suffer special losses, including incurring the extra cost of having to borrow money and having to pay interest on such borrowing.

The shipownars' claims under this head accordingly failed.

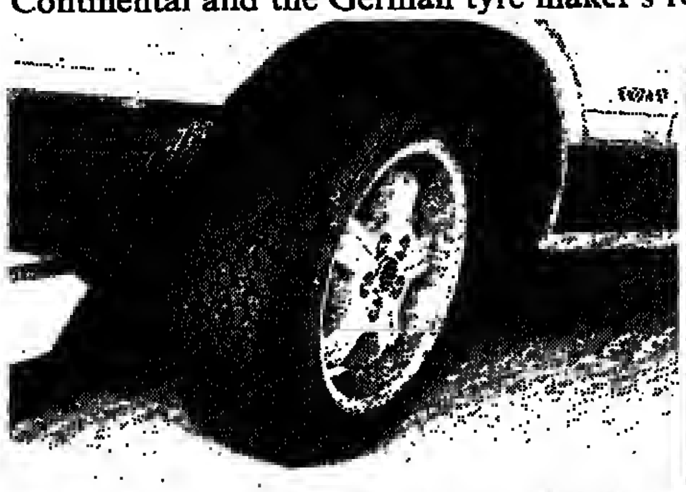
For the shipowners: Mr Bernard Eder QC (Alsop Wilkinson).
For the Charterers: Mr Steven Gee (Lovell White Durrant).

Rachel Davies
Barrister

The tyre industry

Tracking separate trails

Haig Simonian and Andrew Fisher examine Pirelli's industrial argument for bidding for Continental and the German tyre maker's reasons for resisting the Italian company



As shareholders of Continental, the German tyre-maker, troop into Hanover's Congress Centre today, they are unlikely to be thinking much about industrial logic or how the European industry can meet growing Japanese competition.

For, in the heat of the merger battle between Continental and Pirelli, attention has shifted from the aspects of industrial strategy which the Italian company has tried to stress as its reason for initiating the deal.

Today's extraordinary general meeting is not expected to resolve the question of whether the Italian company should take control of the German manufacturer.

Pirelli did not seek the EGM, called by a small Continental shareholder to discuss the issues raised by the merger proposals. But once it is over, it says it will still be there, backed by a majority of Continental's shares and keen to push its merger proposals. So why does it think a merger would benefit both companies?

The arguments set out by Carlo Banchieri, Pirelli's director of tyre products and one of the deal's architects, centre on research and development, production technology and marketing, and geographical spread. Continental, opposed to a merger – certainly on Pirelli's terms – says it would be better off staying independent, especially in the tyre industry's present dire state.

"Throughout the 1980s, we made great efforts to move from the purely nationally-oriented Conti of the 1970s to create a global concern," Horst Urban, chief executive of the German company, asserts. As well as buying General Tire of the US, it has developed links with Yokohama Rubber and Toyo Tire of Japan, acquired small producers in western Europe, and striven to build up tyre distribution outlets, notably in the UK.

But Pirelli thinks Continental could do better. "It's not what it could be, given that it's in Germany where the premium and super-premium market is strongest," says Banchieri.

This is how he sees the advantages of a merger:

■ Research and development. Development spending has become increasingly important as types and sizes of tyres have proliferated. But Banchieri believes neither Pirelli nor Continental spends enough to keep pace with bigger rivals like Michelin of France, Goodyear of the US, and Japan's Bridgestone, the world's top three. (Continental is number four and Pirelli number five; even merged, they would still be in fourth place.)

The sharp rise in the types of car tyres has been triggered by the expansion in sizes, notably for the high performance "ultra low profile" tyres fitted to exotic cars like Ferraris.

Today, a high performance manufacturer wants many sizes, made to its own specification. A company offering less than a full range risks losing market share, and ultimately profitability, Banchieri reckons.

But the associated R&D costs are an immense burden on mid-sized tyre-makers like Pirelli and Continental; merging would let them make the fullest range of tyres at the relatively low volumes required without sacrificing profitability, the Italians argue.

For despite smallish production runs, upmarket tyres can be lucrative. A strong presence in this market also polishes the prestige of a marque in general, making it easier.

■ Production technology. Pirelli reckons a merger could yield benefits through spin-offs in sharing tyre-making know-how and gains from combining resources more efficiently.

Banchieri claims Pirelli's processes for the automated manufacturing of high-quality, relatively low-volume, performance car tyres are ahead of the industry. He says Pirelli's Bollate works near Milan is currently the only plant able to mass-produce high-performance tyres to the precision and quality levels required with a minimum workforce.

Although Michelin has a similar facility near the operational phase, Pirelli's engineers believe they still have a substantial technological edge. "We don't think Conti has this," says one.

Joining forces would also, Pirelli claims, spur big cost savings by allowing the companies to rationalise production of standard tyres. Again, Urban has rejected Pirelli's synergy arguments, stating that claimed annual savings of up to DM400m ($250m) after four years are too ambitious.

Pirelli sees the main competitive danger as being not Michelin, but Bridgestone, the Japanese group which is now the world's third biggest tyre-maker after buying Firestone in the US. Pirelli executives fear Bridgestone is more willing to invest in expanding its range than Michelin, which is now hobbled by a tumble into the red. That could turn the Japanese into "a very dangerous competitor", says Banchieri. Together, Pirelli and Continental could meet them head-on. Separately, they are "below the critical mass".

■ Marketing. Rather than diffusing the two companies' images, Pirelli argues that a merger would allow them to develop more coherently. However, says one top German motor executive, "Pirelli is not experienced in multi-brand management". While he sees sense in a merger, especially to combat the Japanese, he believes the Italian company has not done enough to argue its case to car-makers.

In terms of image, Continental is seen by Pirelli as the weaker of the two. None of its three marques, including Uniroyal and Semperit as well as Continental itself, is as clearly defined as Pirelli, which markets some 80 per cent of its output under its own name and which already occupies a clearly-perceived niche in the premium tyre sector, which it leads in Europe.

Joining forces would allow a greatly improved marketing strategy based on all four brands, which could then be targeted to different sectors of the market, Banchieri argues.

But although names and tread patterns might differ, the basic tyres would become more standardised. It could take three or more years for production processes to be brought into line, but eventually, part of each manufacturer's factories could be devoted to producing other group brands.

Some overlapping would be encouraged to allow inter-brand competition and increase the impression of choice. One way would be to give Continental access to Pirelli's premium and super-premium tyre technology to capitalise on its links with the German car industry, the world's biggest user of high performance tyres.

■ Geography. The two companies are tailor-made for an alliance, under Pirelli's master plan. Continental disputes this. In Europe, Pirelli feels the complementarity is obvious, with Continental stronger north of the Alps and Pirelli better established to the south.

But it is in the US and Latin America where Pirelli sees the fit as best. Both Pirelli and Continental have bought second-tier US tyre producers to establish a bridgehead, though their market shares remain low.

Joining forces would certainly achieve Pirelli's three aims of boosting its presence in replacement tyres for cars; breaking into the market for tyres fitted as original equipment by US vehicle makers; and raising its tiny share of the market for truck tyres.

Linking up would also make marketing sense, given the brand segmentation in the US, where Michelin alone sells tyres under four names, as well as producing tyres for retailers' own-brand sales. Pirelli could represent the top-flight European product, Continental would be pushed for its German image, General Tire would run as a strong US brand, and Armstrong (owned by Pirelli) would round things off as a budget domestic label.

Says Banchieri: "It makes a very complete package – full brand, full product, full segmentation." Merging would also help both Continental and Pirelli to forge closer contacts with the US auto industry for original equipment, Pirelli believes.

In Latin America, the Italians are the stronger. While Pirelli is in Brazil and Argentina, Continental is barely present. But the German company likes it that way, since it does not regard the region as too promising. "We are glad not to be there," Urban says.

Bridgestone is again the bogey in South America. Pirelli fears the Japanese could use their ownership of Firestone, active in Latin America, to introduce Bridgestone products. Linking with Continental would let Pirelli meet the challenge head-on. "Conti products could be a very useful weapon against a potential Bridgestone attack," Banchieri says. Pirelli could introduce Continental's marques into Brazil and Argentina where "it could be useful to have an alternative range". General Tire, which sold its local operations to Pirelli, could also be reactivated in Latin America.

The same trick could be performed in reverse in Mexico, where Pirelli's tyres could be produced at General Tire's factories. Collaboration would also be appealing in Asia.

Although based on car tyres, many of Pirelli's arguments are applied by the company to trucks, too. Here, the focus is on Europe, where Michelin is the uncontested leader, with about half of all sales. There is no obvious number two. Combining Continental's share with Pirelli's would create "a true and real competitor to Michelin", Banchieri says, adding that it could generate handsome profits.

Banchieri insists that a full merger of the German and Italian companies' tyre businesses would not lead to a wave of job losses, since there has already been a shake-out in the industry. But Pirelli has still to convince Continental's workforce of the benefits of an amalgamation. Many shareholders and analysts are also sceptical. "A merged Continental-Pirelli would start life loss-making, with difficult management tasks to perform and few financial benefits from the merger until the next automotive upcycle," says John Lawson, automotive analyst with Nomura Research in London.

Pirelli accepts that the benefits of a merger would take time to show through. Today's EGM will only be one step, though an important one, in making its presence felt.

A caring role for the pension funds

By Simon Holberton

The mediaeval scientist would not believe his luck. His search for perpetual motion actually exists. It is to be found in that peculiarly Anglo-Saxon debate about industry, the capital markets and the relative performance of Britain's industry and that of Germany and Japan. It never seems to stop.

The latest participant is Peter Drucker, the *éminence grise* of management thinkers. He both sheds light on the debate and lives up to what he is celebrated for – identifying trends. All this, and a little more, in a lucidly argued article for the Harvard Business Review.

Drucker's article – Reckoning with the pension fund revolution - is about takeovers, corporate governance, and the responsibility of institutions which, on average, own 40 per cent of the equity and the debt of America's large companies.

He divides the post-Second World War period into two parts. The first, which lasted until the late 1970s, was characterised by a type of management which subscribed to the enlightened despotism of Ralph Cordiner, the early post-war chief executive of the General Electric Company of the US.

In about 1950, Cordiner argued that senior executives were responsible for managing companies "in the best balanced interests of shareholders, customers, employees, suppliers, and plant community cities". This was a conception of manager as "trustee" and encompasses what management theorists today would call "stakeholders".

The second developed in the 1980s. This sees the role of the top executives of a company as one of maximising "shareholder value". This crops up all over the place and has made strange bedfellows of some of the unlikeliest companies; both Hanson and ICI place shareholder value near to, or at the top of, their corporate goals.

Companies moved from "stakeholders" to "shareholder value" via takeovers. Throughout the 1970s and 1980s this became the mechanism for addressing management's failure to perform. Cordiner's definition of management was silent on "what performance and results produced the best balance" and failed to develop a method of accountability.

Drucker argues that the driving force behind company takeovers has been pension funds. The concentration of voting power in their hands has made easier the process of acquisition than it would have been had a raider needed the support of millions of individual shareholders for its bid.

Takeovers kept alive the illusion for pension fund managers that they could sell what they owned. It is an illusion on two levels. The first is that pension funds cannot really sell; they are too big to do more than operate on the margin only. The second is that through the medium of a bid they exchanged their equity not so much for cash but for convertible warrants, unsecured loans or junk bonds, "non-cash, non-securities" which are rapidly losing value.

Faced with this reality pension funds have little option but to learn from what Georg Siemens, the founder of Deutsche Bank, said 100 years ago: "If one can't sell, one must care."

And therein lies the trend. Drucker has spotted a change in the behaviour of investors, especially those fund managers working for US public bodies who are beginning to act like owners and take an interest in the management of companies in which they invest. But it will move a stage further.

"It may not be too fanciful to expect that in 10 years' time a major pension fund will not invest in a company's shares or fixed-income securities unless that company submits itself to a business audit by an outside professional firm," says Drucker.

The "owner" and the company will meet at the board of directors level. Making a board effective, he argues, requires defining its work, setting objectives for its performance and contribution, and regularly appraising it against those objectives. Moreover, they are effective only if they represent strong owners who are committed to the enterprise. He thinks the pension fund just might be evolving into such an owner.

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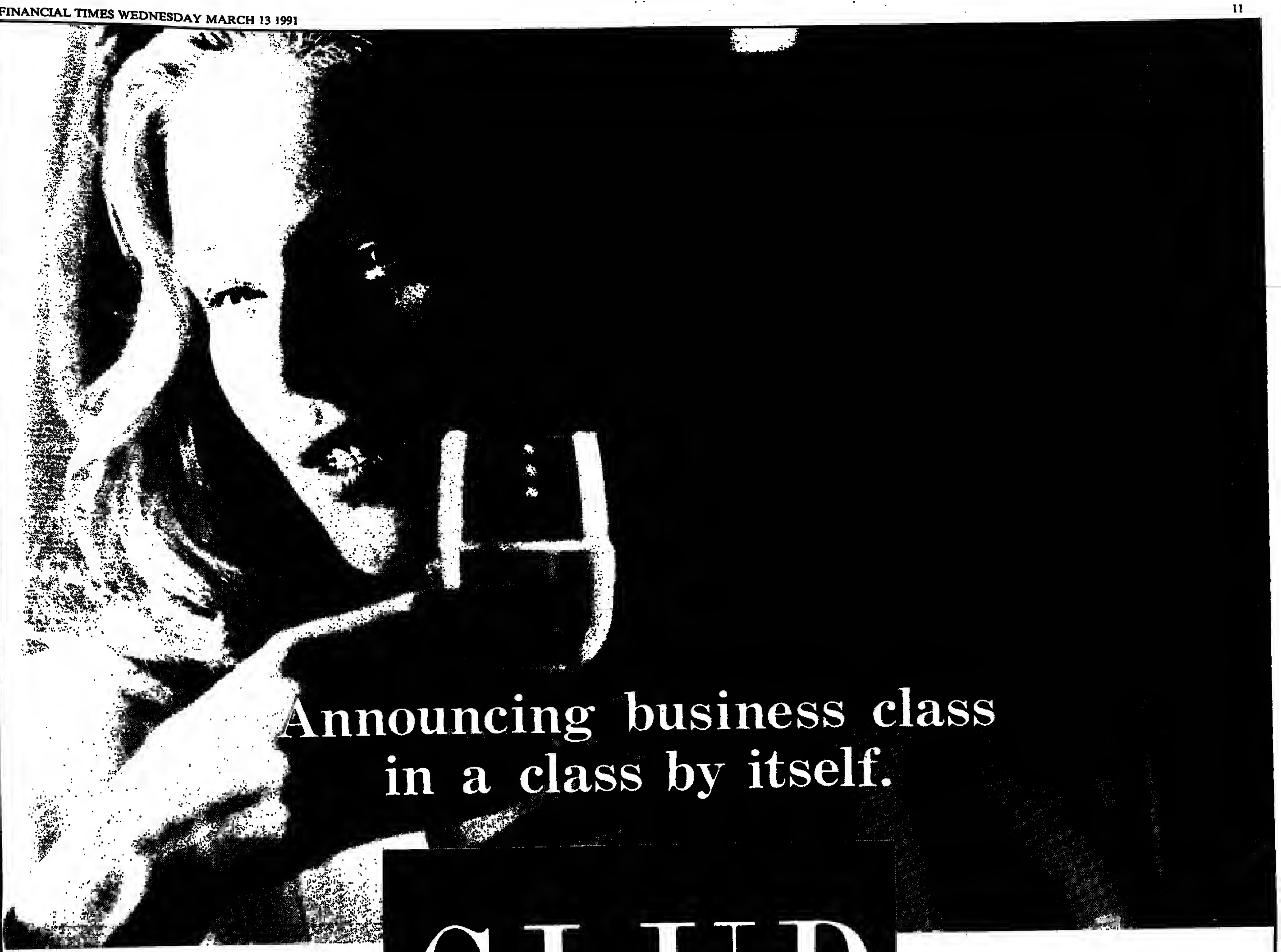

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هكذا من الأصل

Katya Kabanova

METROPOLITAN OPERA, NEW YORK

Janacek's operas, though rarer in America than in Britain, have not been neglected here. San Francisco, Houston, Kentucky have championed them. In New York, the City Opera does *Makropulos* and *Vixen*, and last season added *From the House of the Dead*. The Met, in whose huge space any drama is diminished, has been less successful. It essayed *Jenufa* in 1924 (with Jeritza) and again in 1974, but the first production was never revived, and the second only once. Now the Met has done *Katya* – the city's first professional staging of the piece, and the first since Christopher West produced it at the Juilliard in 1964, with Lorna Hayward.

Charles Mackerras conducted, Jonathan Miller produced and Robert Israel designed. This was a more serious piece of work than the new *Don Giovanni*, *Ballo* and *Semiramide* of the season. It was generally acclaimed. I'm odd-man-odd in feeling some disappointment. Perhaps I've been too often stirred by the opera in smaller houses (Amy Shuard and Mackerras at Sadler's Wells 40 years ago, and often since), sung in direct, communicative English or German (the Met used Czech, parrot-learned by most of the cast), and in vivid productions, with younger casts.

Gabriela Benackova sang a memorable concert Katya here 12 years ago, for Eve Queler (who has also brought us, in concert, *Rusalka*, *Dalibor*, *Libuse*, *Jenufa*). But she is a rather sedate figure onstage, a placid actress. Making her Met debut, she was an unimpulsive, unexciting heroine: not Janacek's neurotic, troubled heroine but a mature, confident, prima-donna Katya, albeit one with radiantly beautiful notes in her voice and a sure command of the role. The Kabanicha was Leonie Rysanek, who was unaccountably unformidable.

Boris was another veteran, Wieslav Ochman, who did not for a moment suggest a glamorous young man from Moscow dazzling the provincials. Susan Quittmeyer's Barbara – the soubrette role, an Olgato Ketye's Tatiena (remember Marion Studholme?) – was a big butch mezzo. But Aage Haugland was an excellent Dikoy, and Peter Straka was a nimble Vanya.

Acts I and II, as Janacek wanted, were played without interval. The decor was neither realistic nor "psychological", but merely bleak: two acts in basic beige, the third in black-and-white. The great river, whose powerful flow informs the score, was unrepresented. The romantic ravine of the lovers' tryst became the backyard of the Kabanhov house. On an almost bare stage, a single room of that house, realistically modelled, placed sidestage for the first and fourth scenes, was trucked centre stage, rumbling and thumping, for the interior scenes. The family evidently lived and slept elsewhere, in dépendances, for entrance and exits to and from that realistic room were made across the street. The servants carried Tikhon's luggage on from somewhere else in the town, across the street, into the room. The effect was faintly absurd.

A critic in the *New York Times*, in an introductory article to the Met *Katya*, called Sir Charles's Janacek conducting, as evidenced in his famous Decca recordings, "bland." I blenched. "Brash" is a word I think I may have used in these pages of Mackerras; and excited and excitable is what his performances have ever been. Yet at the Met *Katya* I heard what Kenneth Furie, the *Times* writer in question, meant. Sir Charles has mellowed. Forty years ago, in Sadler's Wells, he and Miss Shuard bowled us over with their excited discovery of Janacek's greatness. At the Met, he and his singers and the great Met orchestra now more calmly, more confidently reveal the beauty, the balance, the eloquence of Janacek's score.

Andrew Porter

Wieslav Ochman and Gabriela Benackova

TELEVISION

All doom and gloom

When my daughter, at the age of about four, sat with me as I watched television she would often say "Is this another *interesting* programme?" and the contempt she instilled into "interesting" had to be heard to be believed. What she meant was a programme in which the primary object was information, not entertainment, but there was a further implication: she nearly always saved her question for the particularly harrowing or depressing programme. Fifteen years later the expression is still in the family argot. "Oh dear" we say to one another gloomily, five minutes into a programme "this looks like another of Holly's *interesting* ones."

Considered individually such programmes often are the most interesting in a week's television, but when you see them one on top of the other the effect can be dreadfully dispiriting. If you are aware of this and have noticed an approaching conceotration which you suspect will make the troubles of the world seem unbearable you can, of course, deliberately avoid them.

I have been doing precisely that in the past 10 days or so. I was careful not to watch the edition of *Cutting Edge* which promised "allegations of staff brutality against patients in a top security hospital on Merseyside". Next day I took steps to miss *The Black Bag* which announced that "black and Asian homosexuals face a unique double dose of prejudice, struggling to reconcile their race with their sexuality and subject to racism from within the wider gay community".

On the following day I did intend to watch *Dispatches* even though it was offering "stories of brutality and torture" because the subject was Tibet and the reporter was the brave and incomparable Vanya Kewley, but on that occasion I must have pressed the wrong button on one of the VCRs because we ended up with 45 minutes of football. However, missing *Affairs Of The Heart* next day was wholly intentional since an account of Scotland having the world's worst record for coronary disease really did not appeal.

Those are only the highlights of what I ducked, yet even after such an elaborate avoidance scheme the programmes I did see still make me feel as though I have spent the week being beaten about the head by a team of blindfold social workers armed with rolled copies of *The Guardian*.

Tuesday last week, for instance, brought the first in a new series of *Nature*. It opened with assertions from earnest children, that world temperatures keep rising and the poles are going to melt, that more and more people are being born but less and less crops being grown, and so on. It made you despair of teachers. For a moment I had the mad thought that presenter Michael Buerk would come on and point out that for every pole-melting theorist you can find a scientist who denies it, and that crop yields keep going up, not down.

But these days, of course, no green hysteria is too extreme for television: the producer decided to let the tots' misinformation go uncorrected and we were taken to watch something called "Kids Meeting Kids" in New York. This confirmed what I have suspected for some time: that feminism is about to be joined by kidism. After a decade of rights and liberties being demanded not for everybody but just for women, we are now to hear similar demands being made exclusively for "kids". A sanctimonious creed proclaimed at the New York meeting began "What do kids need? Kids need clean air . . ." The rest of us can choke to death.

Less than an hour after that ended, still on BBC2, came the latest in that excellent series *Taking Liberties*. Producer Rhondo Evans and presenter David Jessel told the dreadful story of Mary Winch who, where another Mary had "Calais" inscribed, presumably has the line from *Henry VI Part 2*: "The first thing we do, let's kill all the lawyers". Thanks to bad advice or no advice or contradictory advice from a succession of lawyers, Mary Winch has lost her mother's house and her money and been incarcerated in prison and a mental hospital. With the world so full of such serious wickedness and horror, what on earth are we doing persecuting a person such as Mary Winch? At least this programme may (though only may) have helped her.

Next day came an edition of *Bookmark* which we surely had every right to assume might be highly entertaining: a profile of Kingsley Amis to help boost the sales of his memoirs. Yet it turned out to be a depressing picture of a boring old buffer who surely could not be the witty writer who gave us such fresh and sparky works as *Lucky Jim* and *The Old Devils*. But if that disappointed you on Wednesday, how did you feel on Thursday after *40 Minutes: The Big Game* and *True Stories: An Avenue Called Brazil*?

On the *40 Minutes* programme I was wrong last week when, lower down this page, I surmised (after seeing the trailers) that it was a good opportunity for looking up the cheer leaders' legs. There was a minimum of that in Mark Frith's film about the implications of the annual ball game at Louisiana High School and a maximum of telling social detail. It conveyed a brilliantly impressionistic idea of the suffocatingly provincial atmosphere – seemingly unchanged for decades – of this sort of American town.

As for *An Avenue Called Brazil*, it was quite enough on its own to drive you to the bottle. Over the years viewers have grown accustomed to documentaries detailing the hideousness of life for so many who live in the barrios of South America. We have seen films about children hustling on the streets, about prostitutes or junkies, about bank robbers or gang warfare. This programme, which took a multi-lane highway as its connecting theme, was about all that and more: transvestite prostitutes, and modern highwaymen who, when it rains, stuff the drains with plastic to flood the road and then rob the car drivers who are forced to stop. Director/producer Octavio Bezerra even managed to film from the centre point of a gun battle in a shanty town.

Difficult, you might have thought, to screen anything much more dismal or disheartening than that, but on Sunday BBC2 came up with a couple of programmes that managed it. *The Money Programme* which has been doing some impressive work at home and abroad summarised the situation in the USSR.

Just about everyone in the current affairs business has recently been to Russia, but this was the most graphic and striking report yet: the black market – literally a market place – in car parts, the shoe-less shoe shop, and of course the Gosplan forecast (revealed to the world by the *Money Programme* and followed up by Monday's newspapers) predicting a minimum 11.6 per cent nosedive in GNP this year. The more you watched and thought about this programme, especially its forecast of a return to totalitarianism before democracy and a market economy become possible, the more desperately glum its implications became.

And then, just to prove that however bad things seem they can always get worse, BBC2 brought the week to an almost unwatchable climax with one of the most harrowing single dramas I have ever seen on television, *Morphine And Dolly Mixtures*, an adaptation of Carol-Ann Courtney's heart rending account of her terrible childhood: her mother's death and her father's appalling cruelty, mental and physical. The acting by Gwenllian Davies as Gran and Patrick Bergin as the father was remarkable, but Joanna Griffiths who played the child must surely win awards. In an age of greatly improved child acting her performance was outstanding.

However, an even smaller girl would once have described this play wearily as "interesting", divining instinctively that it was factual and scarcely what you could call entertaining. Had she been present, my week's viewing might have featured more comedy and less heartache, which would no doubt have been an excellent idea.

Christopher Dunkley

Transvestite prostitutes in 'An Avenue Called Brazil'

Unlawful Killing

STRATFORD EAST

The hillboards proclaim a political thriller which could be judged as an offence under the trades descriptions act, since Judith Cook's dramatisation of the Hilda Murrell murder is more inclined to exclamation than to question marks. As the journalist behind the book *Who Killed Hilda Murrell?* she is better placed than most to opine about the death of this 78-year-old rose grower and anti-nuclear campaigner, whose battered body was found near her abandoned car miles from her home in Shrewsbury in 1984.

Attempts to attribute the murder to a botched burglary proved singularly unsuccessful, and from the ensuing maelstrom of speculation – whipped up by some astute agitating from the MP Tam Dalyell – two theories emerged: either her killers were after a submission she was preparing for the Sizewell B inquiry, or they suspected her of possessing documents relating to the sinking of the Belgrano in the Falklands War. Both theories were based on a conviction that the murder was a mistake, and that it was carried out by agents of the government security services.

Cook's adaptation seizes the common ground to present a crime committed by bungling lackeys at the end of a long and tortuous chain of command going all the way to Whitehall.

Jenny Tiramani's design makes the point graphically, with a pyramid of desks, filing cabinets and papers at the top of which sits a "senior civil servant" and at the bottom of which is Hilda Murrell. The set is studded with video screens from which are beamed landmark speeches by the last Prime Minister, including her famous quotation from Francis of Assisi, which raises jeers from the famously partisan Theatre Royal audience.

These are the most effective moments in a lumbering and obvious evening, which skimps on original analysis much as it skimps on any subtlety of characterisation or situation.

Murrell is played by Anita Wright as a pale and anxious old bird, devoid of any obvious campaigning fire, and flanked on all sides by caricatures. Notably missing from the dramatis personae – perhaps in deference to him – is Murrell's nephew Robert Green, whose resignation from the Navy immediately after the Falklands War provided such source of speculation, and who has so tirelessly campaigned for justice since.

Jeff Teare's production is stacked with confusing decks of unnecessary characters, including a reporter (Venu Dhupa) whose function appears to be to tell the story in lieu of a clear dramatic line. Anyone wanting to refresh their memory about this most bizarre and sinister case would do better to read the book.

Claire Armitstead

The Lady from the Sea

PICCOLO TEATRO, MILAN

Ibsen has been familiar to Italian audiences for well over a century, thanks first of all to the enthusiasm of Duse, who introduced many of his works and, in her last years, chose his *The Lady from the Sea* for her historic reappearance. Among her surviving letters there is one to the couturier Worth, in Paris, describing a certain cloak he was to make for her: it was to be blue, the blue of the sea, but a shifting, ambiguous colour (the cloak is now in the little Duse museum in Asolo).

What would Duse make of the current production of Ibsen's play at the prestigious Piccolo Teatro in Milan? The cast is dressed almost entirely in the cream-beige-ivory tones that the Piccolo's director Giorgio Strehler now uses for everything he produces. And the set (an all-purpose design by Josef Svoboda) is simply a backcloth with a jagged rent that serves sometimes as a door, sometimes as a menacing decoration. The props are few – a chair or two, some rocks – and are equally colourless.

For this *Lady from the Sea* the producer is not, in fact, Strehler, but one of his assistants, Henning Brockhaus, who has learned the lessons of the master all too well. For decades, Strehler has been stripping down his productions, abolishing virtually everything except the actors and the text. And lately there has come to be a kind of monotony about the producer's work, and not only visually. Some devotees of the house have ascribed this dullness to Strehler's preferred leading lady, Andrea Jonasson, whose Nordic accent can diminish the impact of her words and give them a too-expectable cadence, like the speech of a television news-readers. As Ibsen's Ellida, Jonasson actually incorporates her exotic sound (now, for that matter, much more Italianised than it used to be) into her characterization of Ibsen's mysterious heroine. It is still a pity, however, that certain words, which obviously give her trouble, could not be replaced – after all this is a translation – with less intractable ones. When she twice stumbles over *sfavillante* the result is not mysterious, but simply awkward.

Still, she is very much a star, and her authoritative presence underlines the drabness of the rest of the cast. Brockhaus favours her also with the lighting: she is the only person on stage whose features can be clearly seen a good deal of the time. The other figures are almost always in shadow or, at best, half-light. Often, a male character makes an entrance and – unless you know the play by heart – it takes you a moment before you can tell if his Wangel or Arnholm or Lyngstrand (I was in row 18, and from there the men were all anonymous). The sameness of their costumes, by the gifted Luisa Spinatelli, does not help.

Brockhaus also imposes a sameness on the delivery of the actors and on the pace of their lines. Every scene moves at much the same rhythm, so scenes that might offer some variety or relief – like Arnholm's marriage proposal to Bolette – have exactly the same weight as the more intense and probing dialogues between Ellida and Wangel. *Admittedly*, humour is not Ibsen's long suit but Brockhaus seems to have no sense of humour at all. The scenes with Ellida and the Stranger (played also by a Scandinavian actor) created a kind of inadvertent comedy. *As the two actors* spoke to each other in poor Italian, I could not help wondering why they did not slip into some other language more comfortable for them both.

William Weaver

Vienna Symphony

BARBICAN HALL

Three Mozart symphonies might seem an unenterprising programme for a visiting orchestra, but the Vienna Symphony's concert on Monday was conducted by Nikolaus Harnoncourt. For 17 years Harnoncourt was a cellist in this orchestra, setting out on his explorations of period performance with his own Concentus Musicus while still keeping one foot in the traditionalist camp. Now, with the battles of authenticity mostly won, he appears increasingly with symphony and chamber orchestras, bridging the gap between the two apparently irreconcilable worlds.

Whatever the performing style, there is always much to admire in Harnoncourt's performances, and much to ponder. The robust muscularity, *driving momentum and punctilious* attention to the minutiae of articulation are all thrilling on first impressions; only gradually do the interpretations begin to seem hard-baked, a little too insistent, their expressive moulding contrived. Of the three symphonies in this programme, the Haffner, the Linz and the Prague, it was the Linz that emerged freshest and most convincing; isolated details in the Haffner, brass entries, woodwind solos, were stunning, but interest was not sustained and musical tension was invariably short range.

Everything in the Linz, however, seemed newly minted, as if invented on the spot, with the inner string lines given magical prominence. Parts of the Prague too trembled with drama, but the working out of each movement became heavily self-conscious, as if Harnoncourt was desperate that not a single musical note should be missed. And the authenticist's passion for repeats gave that of all the symphonies the most curious proportions; no historical evidence will convince me that the second repeat in the finale of the Prague was really meant to be observed, and that Mozart envisaged audience should be plunged into its tonal dramas for a second time, just after hearing them all so consummately resolved.

The Vienna Symphony may lack the instantly identifiable personality of its more famous neighbour, and the Philharmonic's instinctive tonal blend and ensemble, but it is a responsive band, which delivered most of what Harnoncourt demanded.

Andrew Clements

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Wolfgang Sawallisch conducts Royal Concertgebouw Orchestra in Beethoven's Fifth and Sixth symphonies, also tomorrow (6718 345)
Muziektheater 16.00 Béjart Ballet Lausanne in Ring um den Ring, four hours of Wagner's music choreographed by Maurice Béjart. Runs till Sat (6255 455)

■ BERLIN

Staatsoper unter den Linden 19.30 Lortzing's operetta Zar und Zimmermann. Tomorrow: Il barbiere di Siviglia. Sat: Manon Lescaut. Sun: new *production of* Pelléas et Mélisande (2004 762)

Schauspielhaus 20.00 Berlin Sinfonietta conducted by Georg Christoph Biller play music by Mozart, Zelenka and Haydn. Sat and Sun: Berlin *Symphony* Orchestra plays Ravel and Schumann (2272 261)
Schiller Theater 19.30 Liebe Macht Tod, adaptation of Romeo and Juliet by Thomas Brasch (3195 236)

■ BONN

Oper 19.00 Dennis Russell Davies conducts Die Frau ohne Schatten, with Ute Vinzing as the Dyer's Wife, Siegmund Nimsgern as Barak, Paul Frey as the Emperor and Sabine Hass as the Empress, also Sun. Tomorrow and Sat: new production of Falstaff (773667)

■ COLOGNE

Opernhaus 19.30 Inga Nielsen sings Violetta in La traviata, also Sat. Sun: Harry Kupfer's new production of From the House of the Dead (221 8400)
Schauspielhaus 19.30 Brendan Behan's play The Hostage directed *by* Walter Bockmayer, also Fri. Tomorrow and Sat: Gunter Kramer's production of Goethe's Stella (221 8400)

■ GENEVA

Victoria Hall 20.30 Horst Stein conducts Bamberg Symphony Orchestra in Richard Strauss' symphonic poem Macbeth and Brahms' First *Symphony, with* Brigitte Fassbaender soloist in Mahler's Kindertotenlieder (283573)

■ LONDON

MUSIC
Covent Garden 19.30 Carlo Rizzi conducts Il barbiere di Siviglia, with Jennifer Larmore as Rosina, Bruce Ford as Almaviva and Francois Le Roux as Figaro, also Fri. Tomorrow: Samson at Dalila (240 1066)
Coliseum 19.00 Stuart Challender conducts David Pountney's production of Rusalka, with Nancy Gustafson in title role, also Sat. Tomorrow: Salome. Fri: Aribert Reimann's Lear (836 3161)
Queen Elizabeth Hall 19.00 Peter Robinson conducts David Freeman's Opera Factory production of Le nozze di Figaro, *sung in English. Fri:* Alban Berg Quartet. Sun: Piano recital by Peter Serkin (928 8800)
Barbican Centre 19.45 Viktor *Lieberman*, violin, and Yuri Bashmet, viola, join English Chamber Orchestra in Mozart's music from the year 1779. Sun: Rafael Frühbeck de Burgos conducts LSO (638 8891)
THEATRE
This week's shows include a revival of Theatre de Complicite's award-winning production of Dürrenmatt's The Visit (National), William Nicholson's new play Map of the Heart, a romantic tangle set in wartime Sudan (Globe). Silly *Cow, Ben Elton's* new play about a gossip columnist (Haymarket), Peter Hall's production of Twelfth Night (Playhouse) and Joe Orton's classic black comedy What the Butler Saw (Wyndham's). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Auditorio Nacional de Musica 19.30 Luis Izquierdo conducts Spanish National Orchestra. Fri, Sat and Sun: Walter Weller conducts Spanish National Orchestra (337 0100)

■ MUNICH

MUSIC
Staatsoper 19.00 Ermanno Mauro sings title role in Otello, with Bernd Weikl as Iago and Sharon Sweet as Desdemona. Also Fri (221316)
Philharmonie 20.00 Sergiu Celibidache conducts Munich Philharmonic Orchestra in Bruckner's Ninth Symphony, with Daniel Barenboim soloist in Schumann's Piano Concerto. Repeated tomorrow, Fri and at 11.00 on Sun, also next Mon and Tues (48098 614)

■ NEW YORK

MUSIC
Alice Tully Hall, Lincoln Center 20.00 String quartet programme with Ridge Quartet (874 2424)
Carnegie Hall *20.00 Ivo Pogorelich* plays Chopin, Ravel and Rakhmaninov. Tomorrow: Mehta conducts Mahler's Ninth (247 7800)
Metropolitan Opera 20.00 Charles Mackerras conducts Jonathan Miller's new production of Katya *Kabanova, with Gabriela* Benackova as Katya and Leonie Rysanek as Kabanicha. Tomorrow: new production of Parsifal (362 6000)
DANCE
New York State Theater 20.00 *Joffrey* Ballet season till Sun (870 5570)
THEATRE
This week's shows include The Big Love, a comedy starring Tracey Ullman (Plymouth), Larry Gelbart's City of Angels, musical satire about Hollywood in the 1940s (Virginia), Forbidden Broadway, hilarious revue parodying Broadway shows (Theatre East), Absent Friends, Alan Ayckbourn's suburban comedy directed by Lynne Meadow (Manhattan Theater Club) and Lost in Yonkers, Neil Simon's new play directed by Gene Saks (Richard Rogers). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

MUSIC
Opéra Bastille 20.00 Gwyneth Jones sings Isolde's Liebestod and Strauss' Four Last Songs in a concert conducted by Myung-Whun Chung. Repeated tomorrow (4001 1616)
Théâtre des Champs-Elysées 16.30 Pascal Lecorre plays three piano sonatas by Mozert (4720 3637)
TMP-Châtelet 19.00 Cleveland Quartet plays string quartets by Mozart, Prokofiev and Dvorak. (4028 2840)
DANCE
Palais Garnier 19.30 Nederlands Dans Theater in two ballets by Jiri Kylian, music by Stravinsky and Ravel. Also tomorrow and Fri (4742 5371)
Opéra Comique 20.00 Paris Opéra Ballet in Coppelia with designs based on original 1870 Paris production. Plus Balanchine's Divertimento No 15 (4286 8883)

■ ROTTERDAM

De Doelen Grote Zaal *20.15 Valery* Gergiev conducts Rotterdam Philharmonic Orchestra in Brahms and Tchaikovsky programme, also tomorrow and Sun (413 2490)
De Doelen Kleine Zaal 20.15 Robert Holl sings Winterreise accompanied by Konrad Richter (413 2490)

■ STOCKHOLM

Konserthuset 19.30 Peter Schreier conducts Stockholm Philharmonic Orchestra in Mozart's Requiem, with Hans Leygraf soloist in the Piano Concerto No 16. Also tomorrow and Sat (244130)

■ STRASBOURG

Palais des Congres *20.20* John Nelson conducts Strasbourg Philharmonic Orchestra in music by Gershwin, Bernstein and Faure, with Marc Copey soloist in Tchaikovsky's Rococo Variations (8837 6777)

■ VIENNA

Staatsoper 19.00 Sylvain Cambreling conducts La Clemenza di Tito with Ann Murray as Sesto, also Sat. Tomorrow: Falstaff (51444 2960)
Musikverein Brahms-Saal 19.30 Charles Medlam conducts London Baroque in music by Handel, Mozart, Bach and Vivaldi. Fri: Vienna String Sextet plays music by Mozart, Bartok and Schubert (505 8190)
Konzerthaus 19.30 Martin Haselbock conducts original-instrument performance of La Depositione della Croce di Gesu (1728), oratorio by Johann Joseph Fux, with soloists Dorothea *Roschmann and Amanda* Halgrimson. Sat: René Jacobs conducts Zelenka's Jeremiah Lamentations (7124 6860)

■ ZURICH

Tonhalle 20.15 John Carewe conducts Tonhalle Orchestra in Vaughan Williams' Tallis Fantasia, Beethoven's Seventh Symphony and Saint-Saëns' Cello Concerto No 1 with Heinrich Schiff, also Fri. Tomorrow: Borodin Quartet and Vladimir Krainiev play chamber music by Prokofiev, Shostakovich and Schnittke (201 1580)

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The limits of tinkering

WHAT IS the value of an oft-proclaimed principle – that everyone should contribute to local authority spending – against the electoral fears of backbenchers? The country is about to learn the answer. With the voice of Ribble Valley ringing in the government's ears, the poll tax is doomed.

Panic makes for bad policy. What is needed, instead, is a comprehensive reform, one that relates the structure and functions of local government to its finance. If change is to be made over night, it should not be the excuse for avoiding thorough reform thereafter.

It is not evident that great haste is even desirable. The poll tax is a disaster, it is true, but the government can always increase the bribe to make it less so. The only immediate alternative, consistent with a measure of local autonomy, is a return to the old domestic rates, which would create its own problems. Another temporary possibility would be to transfer all of local authority finance onto the central government. But this would abolish local autonomy, a change that could too easily become permanent.

Nevertheless, the poll tax is now seen to have two overwhelming disadvantages: its unpopularity and its unworkability. Local authorities expect, for example, that only 91 per cent of those liable will pay the community charge for the current financial year, as against 98 per cent for the old domestic rates. Yet, however unpopular the poll tax is, moving back to the rates could be almost as bad. A return to the rates would either mean much larger bills than in 1989-90, which would create a new class of losers (many of whom vote Conservative), or a greater Treasury contribution.

Bigger bribes

If it would be necessary to increase the Treasury's bribe merely to massage a return to the rates, why not increase the bribe for the poll tax? One answer is that the bribe would probably have to be bigger. Suppose, for example, that the average poll tax were to be reduced to £200. This would cost the Treasury about £7bn, equivalent to a bit more than 3p in the pound on the basic rate of income tax.

The obvious way to achieve greater freedom of manoeuvre would be to end the uniform business rate. But the idea of a uniform business rate remains attractive. If local authorities are to be allowed to levy business rates it should be over and above the uniform business rate and only within centrally determined limits.

The overwhelming disadvantage with all such tinkering, however, is that is what it is. The fundamental problem of local finance is the contradiction between the scale of its responsibilities, on the one hand, and of its autonomous financial means, on the other hand. In 1991-92, for example, local authorities are expected by the government to spend £61.4bn, or more than £1,000 per head of the population, of which their own sources of revenue are to contribute a mere 22 per cent.

Local political choices

The difficulty to which this contrast attests is, as David King points out in a recent paper for the Institute of Economic Affairs, that "successive UK governments seem not to have decided what local government is for". Are they agents of national purposes, in which cases their revenue might as well all come from the Treasury, or are they to respond to local political choices, in which case they need sources of revenue commensurate with their needs?

More precisely, for what purposes are local authorities to be agents and for what purposes are they to be autonomous? If, for example, local authorities were to continue to do what they now do, but autonomously, then a local income tax would be inescapable. Local income taxes exist in all industrial countries that enjoy a high degree of local autonomy. But if local authorities are to levy income taxes, they need to become both more representative – by introducing proportional representation – and more competent.

In short, the combination of still more Treasury support with a return to the domestic rates may be the least bad palliative in the short term. But it does not represent a solution to the underlying difficulty. What, the government must decide, is local government for? How should it be structured to deliver the services for which it is responsible? How then can it be financed to meet its responsibilities? We shall return to these questions shortly. But the government must stop putting the financial cart before the horse. Otherwise, the reform of local government will never make progress.

Albania's way forward

ALBANIA needs help. The Italian government's decision to consider repatriating thousands of young, discontented Albanians is understandable, hut it could hring Alhania closer to hloodshed or anarchy. President Ramiz Alia, leader of the ruling Albanian Party of Labour (APL), could prevent this hy offering the younger generation some hope. Without that, more will try to escape, next time to neighhouring Greece and Yugoslavia. But Mr Alia's options are limited.

Although he has tinkered with reforms and hegun to open Albania to the outside world, he remains ideologically committed to the communist APL. That party's entire legitimacy is based on the legacy of Enver Hoxha, the Stalinist dictator who died in 1985. It controls the media and the security forces. It picks the factory managers, teachers and judges. All the instruments of power are in its hands.

The Albanians who are leaving the country do not believe reforms are possible until the Hoxha era is huried. Only then will they be given the opportunity to participate in political life. The fledgling opposition parties, however, have been slow to draw up a coherent economic and political programme which could challenge the communist-dominated agenda. That is hardly surprising since they have no experience of political pluralism.

Slim chances

The APL has capitalised upon this disarray. In the campaign for elections, scheduled for March 31, it has told the conservative peasantry and local party cells that it alone can solve the country's problems. In these circumstances, the chances for genuine reform look slim and are unlikely to improve if the APL wins.

There is no reason, however, why Albania should be left to its misery. Mr Alia has already appealed to the west for aid to modernise an obsolescent industrial infrastructure and improve living standards. The restoration of diplomatic relations with the US, to be concluded on Friday, could be the first step. Western governments, particularly the European Community, could lay down strict conditions in return for aid. Since Mr Alia has repeatedly said ha wants Albania to become a member of the Conference on Security and Co-operation in Europe, and to forge links with the EC and the International Monetary Fund, the west has considerahle leverage over this small country of 3.2m people. The leverage should be used.

Political agenda

The EC should start drawing up a political and economic agenda for Alhania's future. First, the elections should be postponed. It is better to hold fair elections later than a rigged election soon. In tbe meantime, the APL should be encouraged to begin round-tahle talks with the opposition. They should cover the withdrawal of party cells from the workplace, the depoliticisation of the media, the jndiciary, the security forces and the dishanding of the Sigurimi, or secret police.

The EC should also help tbe Albanians draw up a long-term economic programme aimed at revitalising agriculture, modernising the country's chrome, copper and oil industries, and introducing monetary stahility. The younger generation can be given a stake in the reforms through retraining and access to modern management techniques.

Some western governments may balk at these proposals on the grounds that aid will either be wasted or smack of interventionism. Yet conditionality is working in Poland and beginning to work in Bulgaria, which is now developing its fragile, democratic institutions. It is precisely because Albania is such a small country that aid may work there. Mr Alia should be told in no uncertain terms that the price of such aid is reform. It will not be given to prop up the APL.

Charles Leadbeater and David Thomas on the regulators who will determine the future of Britain's privatised utilities

Unequal struggle over power

When the government decided to privatise Britain's telecommunications, water, electricity and gas utilities, there was no manifesto commitment to hand enormous power over large tracts of the British economy to four unelected officials.

Yet that is precisely what Thatcherism has given the four regulators charged with protecting consumer interests in the wake of privatisation of the main UK utilities.

Just in the past few weeks:

● Mr James McKinnon, director-general of the Office of Gas Supply, has become embroiled in a legal row with British Gas over its plans for 35 per cent increases in its prices to power stations, while pursuing a campaign to reduce the gas utility's share of the main industrial gas market by about 30 per cent.

● Sir Bryan Carsberg, his counterpart at the Office of Telecommunications (Oftel), was one of the main authors of the government's plans for a sweeping reform of the telecommunications industry, published last week. It will be his task to implement an ambitious attempt to nurture competition in an industry traditionally dominated by a monopoly supplier.

● Professor Stephen Littlechild at the Office of Electricity Regulation (Offer) has just overseen the creation of one of the most competitive wholesale electricity markets in the world in the shape of the so-called "pool" from which distributors will purchase their supplies.

● And at the Office of Water Services (Ofwat), Mr Ian Byatt is completing his consultations over possible changes to the way people pay for their water. This has involved circulating leaflets to more than 17m homes which will be affected by what could be the most radical change in the industry for decades.

So pervasive has the power of this quartet of former accountants and economists become that their performance has become an issue in itself. Together they hold sway over industries with a combined pre-tax profit for last year of about £5.3bn and with nearly 500,000 employees. They influence the prices of services which form a significant portion of industry's input costs. Decisions they are taking now will affect patterns of investment which will in turn determine the kind of service the utilities will be able to provide into the next century.

It was never the government's stated aim to create such a highly regulated market for these utilities. How have the regulators accumulated such power? Is this system just a transitional phase on the way to a free market or will regulation be a permanent feature of these industries? Just as important, if the system stays in place what criteria should be used to assess the effectiveness of a regulator? Will the regime itself eventually need overhaul?

What is particularly extraordinary – and perhaps typically British – about the current regulatory system is the totally ad hoc way in which it has developed. There is still no overall framework of policy determining what these bodies should be doing. Instead, the regulators have become embroiled, almost by default, in a minute examination of the way the regulated utilities work – covering anything from the prices they charge to the quality of their services.

The regulators' formal authority rests on their role in overseeing licences to provide services and formulas capping the rate of increase in the prices regulated companies are allowed to charge.

It sounds dry stuff, but in practice the regulators' batties with the companies they regulate have been very puhlic and very political. They have brought into focus consumer disenchantment with the performance of the privatised utilities, particularly in gas and telecommunications.

But the main source of the regulators' power lies in the way the politicians implemented privatisation in the first place, characterised by messy compromises and confusion about the goals of privatisation policy.

Most of the utilities floated so far have been privatised as highly profitable monopolies – partly because ministers were keen to earn the maximum rewards for the exchequer from the flotations and partly because the managers of the utilities lobbied hard for their corporations to be privatised intact.

As a result, there was limited scope for more ambitious proposals designed to increase competition – say, by splitting up BT or British Gas into smaller competing units. The emergence of privatised monopolies created the need for regulation as a substitute for competitive disciplines.

Each of the regulators has two core tasks: to prevent the monopolies from abusing their power over consumers and to explore and encourage competition which promotes consumer choice.

In each case, however, the regulator's ability to command his particular arena has owed as much on personality as on policy. This has been pre-eminently so with Sir Bryan Carsberg. Controlling a staff of just 130, he has not hesitated to take on one of Europe's largest companies with more than 240,000 employees. Senior BT executives view him as the greatest threat to their company's commercial future.

Sir Bryan's assessment of the qualities required hy a regulator is simple – "cussed determination". If he had been less determined those who followed would have had a much tougher time.

Oftel's development also exemplifies why once a regulator becomes involved in an industry there is a logic for regulation to spread wider and deeper.

The British regulatory system is based on price controls. All the regulators operate a formula linked to the retail price index. With price rises capped below the rate of inflation, a company can only raise profits through cutting costs and improving efficiency.

It sounds simple enough in theory. But in reality, the regulators have been drawn into monitoring their charges' behaviour in much more detail, and from a broader set of perspectives. From their initial concern with costs and prices they have had to widen their reach into issues to do with quality of service.

The point is that, as at least one of the regulators has discovered, issues of price and quality cannot be separated: one way for a price-capped company to cut costs on its regulated services is to cut corners on quality of service. When BT was privatised in 1984, its licence made little mention of quality standards. And although Sir Bryan denies that Oftel actually neglected service standards during its early days, BT's service deteriorated, culminating in a quality crisis in 1987. Since privatising BT, however, the government has laid noticeably greater emphasis on standards of service for the other utilities it has floated. This creates the potential for confusion. In the water industry for example, regulation of quality – defined in environmental terms and carried out by the National Rivers Authority and the Ministry of Agriculture – is as important a consideration as economic regulation of costs.

But the two priorities tend to pull in opposite directions: while economic regulation is intended to create incentives for companies to reduce costs, environmental regulations invariably add to them. The water companies stress that environmental costs must be taken into account when caps on their prices are set. But who is ultimately to strike the balance between environmental regulation and fair costs?

"The clear danger is that the regulators might become so involved in determining questions of costs, prices and quality they would almost be managing "their" utilities.

Nor can the regulators look at prices of individual services in isolation. Once the price of one service is fixed, companies will vary other prices to compensate. Oftel has been concerned of late, for example, about prices BT charges for its highly profitable international services. Last week's white paper on telecommunications announced that for the first time, international prices would be included in the overall cap on BT's prices. This extends the coverage of price controls on BT's business to 80 per cent of its revenues from 55 per cent in 1984, and because of the sheer complexity of the arguments involved, the regulator has become involved in examining the detailed structure of charges for different services.

Mr Iain Vallance, BT's chairman, complains that the development of a minute form of regulation in telecommunications was never envisaged at the outset. Sir Bryan disagrees: "There never was a commitment to regulation with a light rein."

Developments at Ofgas also testify to the difficulty of pursuing a lightly regulated regime. Critics point out that Ofgas is now deeply involved in the industrial gas market, precisely the segment of the industry that was supposed to be free of regulation.

Mr McKinnon, pointing out that his staff has declined from 28 to 26, is scathing about the charge that he has extended his remit: "If I had exceeded my powers British Gas would have had me in judicial review proceedings at the drop of a hat."

The measures to spur competition in the industrial gas market are intended to be temporary, he stresses. Mr McKinnon says he is a "surrogate competitor" who will fade into the background once real competitors emerge.

The most sanguine of all the regulators is Professor Stephen Littlechild at the Office of Electricity Regulation (Offer), who before BT was privatised devised the pricing formula subsequently adopted by all the regulators. The decision to split the old Central Electricity Generating Board into two generators, National Power and PowerGen, has helped to create the grounds for competition in the industry around a wholesale market for electricity supplies called "the pool".

Prof Littlechild says there have been no problems in eliciting information from the companies or in persuading them to accept competition. "There is no need for a major battle between the regulators and the companies," he says.

But it is early days for competition in electricity. Many executives in the regional electricity companies and among the new group of independent generators that has sprung up complain bitterly in private that National Power and PowerGen are manipulating the market. Some are certain that Prof Littlechild will become more deeply involved in the industry to nurture the first flowering of competition.

Sir Bryan Carsberg shares scepticism about how quickly regulators will be able to withdraw. The telecommunications white paper, he says, marked a shift from managed competition to a more open market. Yet Oftel's role, in the short term at least, will expand considerably. He says: "There may be a time when competition is so firmly established that regulation can wither away. But that is a long way off."

It seems increasingly likely that the system of regulation will be a permanent feature of the privatised utilities. They are, after all, of pivotal importance to the performance of the economy as a whole. Politicians will be unwilling to give up all influence over such basic services as water, telephone services and electricity. All the utilities are likely to retain elements of monopoly, which means consumers will have to be protected. The evidence of the US airline industry, for instance, is that deregulation can all too quickly lead to a reconcentration of power in a few corporate hands. The regulators have carved out their own power bases. They will be difficult to dislodge.

The prospect of a decade of re-regulation of important parts of the UK economy provokes cries of complaint from free marketeers.

Dr Cento Veljanowski, director of research at the Institute of Economic Affairs, says the upshot of policies introduced by a free market government has been the creation of a new layer of unaccountable bureaucrats. Privatisation has shifted the utilities from state ownership to state regulation.

If the current system of regulation does indeed survive into the next century, the big question will be how to monitor and improve it. At present, the regulators are accountable only to secretaries of state; the way they operate is far from transparent, and often secretive; they sometimes seem to be making up the rules as they go along. Who is to regulate the regulators?

SIR BRYAN CARSBERG: OFTEL
Aged 52, the director general of the Office of Telecommunications was the pioneer regulator. A former professor of accountancy at the LSE and a marathon runner, Sir Bryan topped his year in his final accountancy exams. When he started his own practice he was told it would take six months to instal a telephone. He combines a prodigious appetite for detail with a relentless stamina and determination.

JAMES MCKINNON: OFGAS
Aged 60, the director general of the Office of Gas Supply carries the scars of repeated public clashes with British Gas. He was appointed to the post at Ofgas after being group finance director of the Imperial Group. Born in Paisley, Scotland, McKinnon studied accountancy in Glasgow before moving into a series of finance jobs in industry. He is a former external adviser to the Ministry of Defence's audit committee.

STEPHEN LITTLECHILD: OFFER
Aged 47, the director general of the Office of Electricity Supply holds sway over an industry in the midst of privatisation. As a professor of commerce and head of the department of industrial economics at Birmingham University in the early 1980s, he was largely responsible for drawing up the pricing formula which has been adopted for all the utilities.

IAN BYATT: OFWAT
Aged 59, the director general of the Office of Water Services is a former Treasury economist with a penchant for Barbara Hepworth prints. Mr Byatt spent several years lecturing before joining the Department of Education and Science as its economic adviser in 1967. Between 1978 and 1989 he played a central role in the Thatcher governments' reforms of economic policy as deputy chief economic adviser at the Treasury.

OBSERVER

Steward's account

■ No man is a hero to his valet, they say, but John Major seems to be an exception. "I am not surprised by his election as prime minister," says Moses Dewa who was Major's steward in his two-bedroom flat when, as a 23-year-old, he arrived in Nigeria in December 1966 to work for Standard Chartered's hranch in the plateau city of Jos.

It seems the future premier lived blamelessly during his five-month stay at 7 Club Road, in a tour cut short hy severe injury to his legs when the friend's car he was riding in crashed into a ditch. From the start he "displayed the spirit of a servant, of one willing to serve mankind".

Dewa – still in Jos, but now working as a bank clerk – recalls that Major's first evening meal there included potatoes, beans and carrots. He rose at 6.30 each day, and went to work in a brown suit.

Apart from daily excursions to the sports fields at the Plateau Cluh, Major didn't go out very often: "He'd rather sit quietly in the living room reading novels or in his bedroom listening to foreign news on his radio," tha ex-steward reports in an interview with Nigeria's Guardian newspaper.

The bookcase in the living room stocked novels and texts on economics, banking and finance, as no doubt befitted a non-smoking teetotaller who "never complained about anything nor showed signs of stress or ill-temper".

Searchers after the salacious will be disappointed. "I didn't see any lady or girl visiting," Dewa says, dismissing any hint of what the paper calls a "conjugal relationship" with the "swarms of ladies who invaded Jos in those days".

The only hint of disapproval in the account is that the premier-to-be didn't go to church and was never seen praying or reading a bible.

All of which prompts a thought that historically-minded readers might care to advise on. Has any other head of state anywhere ever led such an uninteresting life as Dewa's ex-employer?

Rare event

■ John Major said his speech in Bonn on Monday was the first made by e British prime minister in Germany since unification. But there must have been at least 10 successive British prime ministers who never went to Germany at all while in office, let alone thumped the tub there.

Disraeli attended the Congress of Berlin in 1878: there was then a 60-year gap before Neville Chamberlain went to see Hitler in 1938. It was also the first time that Chamberlain had been in an aircraft. No wonder his visit caused such a stir.

Glasgow calling

■ Having conquered Scotland, is Jimmy Gordon, the 54-year-old boss of independent Radio Clyde, about to take on the rest of the United Kingdom?

One of the best-known managers in commercial radio, he was still insisting yesterday that his Glasgow-based Radio Clyde had merged with Edinburgh's Radio Forth. But it doesn't take a financial analyst to see who will be calling the shots from now on.

After nearly two decades in the business, Gordon controls commercial stations in all Scotland's main cities and is ready for bigger things.

A small Glaswegian with boundless energy, he is the man Lord Hanson turned to when he wanted to set up his own Melody radio station in London. Along with Capital, Clyde is one of a handful of well-managed companies in a fragmented industry, and with its strong balance sheet it is an ohvious contender for a nationwide commercial radio licence. Applications have to be in by next month.

But would Gordon want one? He says his local radio stations have better ratings than the BBC network already, which he doesn't think would change even if he got a licence.

On the other hand, giving the Scots a national licence is not going to lose the government any votes. Moreover Gordon himself might be underestimating the potential financial rewards.

"... AND he's a virgin."

Dateline

■ If the London Stock Exchange really is trying to move with the times, why doesn't it update its financial year end?

The New York Stock Exchange, for example, signs off its accounts on December 31, and older and more dignified institutions like the Bank of England at least close their books at the end of a month. But the stock exchange persists in fussily finishing its financial year on March 24.

The stock exchange assures me that tbe date has nothing to do with the end of the fox-hunting season. Rather, it dates back to Lady Day, on March 25. Until 1752, the day commemorating the annunciation of the Virgin Mary, marked the legal beginning of the year. Hence firms used to make up their accounts to the day before.

But the stock exchange really did not get going until 20 years later and another 40 years went by before its first rules and conditions were enshrined in its settlement deed. Surely time for a change.

Varied menu

■ Who are the world's sickliest eaters? The nation with the fairest claim to the title are the French, according to Runzheimer International – a US-based consultancy which keeps watch on worldwide pay and living costs for multi-national employers.

Its latest review details nine countries' typical household spending on different kinds of food, distinguishing dieticians' horrors such as fats and red meats from more approved items such as fruits, vegetahles, fish and poultry.

In France horrors account for 33 per cent, and approveds for 26. So, taking other kinds of food as neutral, the French have a 7 percentage-point preponderance of sickly over healthier items.

Belgium and the US tie for second place with 6. Then come the British with 5, Canadians 4, Germans 2, and Dutch 1.

In the remaining pair of nations, approveds outweigh horrors – in Australia by 1 percentage point, but in Japan by no fewer than 12.

Any message?

■ Notice in English on a Paris hotel's reception desk: All our guests hring happiness – some by coming, others by going.

Richard Tomkins on proposals to liberalise London transport

Free-for-all on the buses

If it ain't broke, don't fix it," the saying goes. This week, however, the British government has proclaimed its intention to ignore this homely wisdom and "fix" the ownership of London's bus system.

London buses may be far from perfect now. But early in the next parliament, if it is re-elected, the government plans to bring in legislation which could make them e lot worse. This would end London Transport's role as a bus operator and allow anyone with e licence and four wheels to set up business in a free-for-all on the capital's streets.

As a means of demonstrating the government's ideological credibility in the run-up to e general election, the proposal has merit: bnt among those concerned with London's traffic problems, it has been greeted with reactions ranging from astonishment to dismay.

Among the fears it has provoked are the chaos likely to result from large numbers of operators offering frequently-changing services; the congestion likely to result from an increase in the number of buses on the road; the end of the popular Travelcard scheme which allows people to buy unlimited use of public transport in given zones; and the demise of that London icon, the red double-decker bus.

Unknown to many Londoners, deregulation is not new to Britain: it was introduced to the rest of the country in 1986. Experience from that exercise suggests that fears about extending it to the capital are well-founded.

When it implemented tbe change, the government – backed by free-market economists – argued that deregulation would lead to more and better services, lower fares, an increase in the number of passengers and lower subsidies.

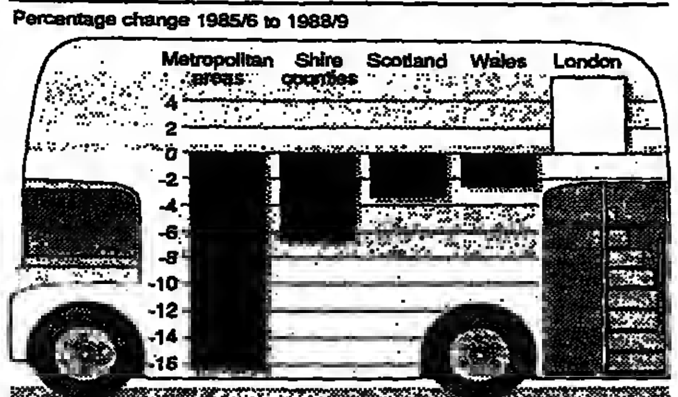
The government argues that deregulation in the regions wss a success because bus mileage outside London has gone up by 19 per cent since 1986: but in fact, services have deteriorated from the passengers' point of view and, as the chart demonstrates, fewer passengers have been travelling.

Most of the extra mileage bas resulted from from an intensification of competition on key radial routes in busy periods, or from the replacement of double-deckers with e larger number of mini or midi buses. Services in off-peak periods and on less busy routes has tended to decline.

In spite of the appearance of new, smaller buses, the quality of buses has generally declined because low profit margins have left operators unable to afford the cost of renewing ageing fleets.

Change in passenger trips since deregulation

Percentage change 1985/6 to 1988/9



Fares, meanwhile, have not gone down. They have risen faster than inflation, and only partly because of tha disappearance of local euthority subsidies. The government's Transport and Road Research Laboratory says there is little evidence of price competition between operators.

A further disincentive to passengers is the lack of timetable and roote information. Operators are relnctant to carry information about eacb other's services, and the high frequency of changes in any case makes timetables and route maps difficult or impossible to compile.

Perhaps not surprisingly, therefore, deregulation has failed the key test of stemming the decline in passengers. The number of passenger trips in the deregulated metropolitan areas has slumped by 16 per cent since 1986. Those in London have risen by 6 per cent over the same period.

Deregulation has not been all bad. By putting the industry on e more commercial footing, it has produced significant improvements in efficiency and turned bus companies into better managed, market-orientated organisations.

Local authorities' main criticism of the approach is that deregulation, by sacrificing public needs to the whims of the market place, has removed their ability to integrate hus services into e coherent public transport strategy to provide the means of ettacking congestion.

London, it could be argued, has the best of both worlds. Though spered full deregulation, the capital currently has a system whereby London Transport plans the network and timetables, then puts the routes out to tender.

Though not yet complete, this process so far accounts for 35 per cant of the capital's route mileage, with some of the tenders awarded to London Transport's own bus operating subsidiaries and the rest to 17 private sector companies. As a result, London has some of the lowest costs per bus kilometre in the land.

The main problem faced by London's huses is not inefficiency, but tha difficulty of operating e reliable system over London's impossibly congested roads. The solotion to this is greater use of bus priority measures – a move the government supports – combined with restraints on other traffic.

The government's present proposals, bowever, seem likely to worsen rather than alleviate congestion. They conjure up a nightmare for the key radial routes into the West End: large capacity double-deckers with conductors to speed boarding could be joined, or replaced, by a plethora of smaller one-person buses.

Confusion over routes and timetables could, as in the provinces, lead to desertion of the buses in favour of car or rail transport. The Travelcard scheme, which has survived deregulation only patchily in the provinces, would be imperilled, and fares would certainly rise. The marketing of services to tourists would be severely curtailed, if not abandoned.

Yesterday the Brussels-based Union Internationele des Transports Publics, an industry association, reacted with astonishment to the the government's proposals. The existing London system of franchising out services, said Mr Pierre Laconte, secretary general, was regarded as a model for other countries to follow.

The Department of Transport has so far been unable to cite an example of any country in the developed world which has adopted total deregulation of bus services in its capital. From the less well developed world, however, comes a cautionary tale.

In Chile, the former military government progressively lifted controls on bus transport from 1975 onwards until all restrictions on routes and fares were completely lifted in 1988.

The result was an unmitigated disaster. There are now over 12,000 buses operating in Santiago, a city of 5m people. At the height of the rush hour, the buses on the central avenue, La Alameda, are crammed three lanes thick. Most run half empty, spewing out diesel fumes which have transformed Santiago into one of the most polluted cities in Latin America.

Deregulation in Santiago has not brought about a fall In fares. The capital's 4,000 bus owners operate a cartel which allows them to rig prices and mask inefficiencies. The pollution and congestion problems caused by this example of free-market folly finally compelled Chile's year-old civilian government to take action. Legislation was passed to force the retirement of the oldest 2,600 buses in circulation with compensation for their owners. Bus routes will shortly be put to tender in an effort to rationalise bus services and ease the flow of traffic. In addition, a stiff tax will be imposed on all cars and buses who choose to drive into tha centre of town.

London, to many of its inhabitants, has already been transformed into something close to a third world city by its lack of a transport policy. If Santiago's experience is a guide, the deregulation of its buses is all that is needed to complete the process.

Additional reporting by Leslie Crawford in Santiago.

Edward Mortimer

A time for measures, not men

The west should not be backing Mikhail Gorbachev against the Soviet people

FOREIGN AFFAIRS

Back in December 1988, after Mr Mikhail Gorbachev's historic speech to the UN General Assembly (in which be announced, among other things, n big unilateral reduction of Soviet forces In Europe), I remember ending a column with the observation that Mr Gorbachev's policies were of great benefit to the west, and that we should help him if we could.

A pretty banal thought, you may say, yet it was still somewhat controversial at the time. The startling changes in eastern Europe lay hidden in the future. The Congress of People's Depnties had yet to be elected. The leading role of the Communist party was still enshrined in Article 6 of the Soviet constitution.

Still, the direction of change was clear. The treaty abolishing medium-range nuclear missiles was already in force. The withdrawal from Afghanistan was almost complete. The explanation of world politics as e contest between irreconcilably different social systems, which communism was bound eventually to win, had been abandoned. The depth of failure and crisis in the Soviet system had been admitted. The taboos on discussion of past crimes and follies bed been lifted. Genuine debate raged in the Soviet media. Even the conflicts of nationalities, in all their ngliness, were out in the open.

The Soviet empire, in short, was visibly in decline: a potentially very dangerous moment. Tbe wounded beer et bay might have been expected to lash out in all directions, even with his nucleer claws. Instead, Mr Gorbachev had seized the initiative, using the crisis as an argument for radical reform within and for new, co-operative relationships without. He was giving ground gracefully, end keeping the process (up to that point) under some kind of overall control. The world was lucky to have such a man to "do business with" at such e time. Whethar we could help him, and if so how, was very uncertain. That if we could we should, seemed to me clear.

A year later virtual consensus had been reached on that point in the west. In 1990, "helping Gorhachev" became official policy for every western government. Nato had to affirm solemnly that it no longer regarded the Soviet Union as an adversary, and billions of D-Marks were pledged in aid, to help Mr Gorbachev persuade his generals to accept German unity In Nato. The Bush administration has been prodigal in its expressions of gratitude for his support in the Gulf crisis, even suppressing its irritation over his last-minute peace initiative, which almost robbed Mr Bush of a clear-cut victory in the war. And last week the British prime minister went to Moscow to cement the relationship with Mr Gorbachev forged by his predecessor, yet could not "find time" for a meeting with the elected president of the Russian Republic, who has emerged as Mr Gorbachev's chief opponent and is undoubtedly far more popular than him.

Yet until 1989 one may guess (the proposition was never put directly to the test) thet a majority saw Mr Gorbachev'e reforms, however cautiously and grudgingly, as e source of hope, and would have endorsed Andrei Sakharov's ettitude of conditional and critical support. Since then, however, two developments have polarised opinion mnch more sharply, both to Mr Gorbachev's detriment.

First, perestroika has failed. It has become manifest that the economy is not on the road to recovery, but in e downward spiral. Whether one blames this on Mr Gorbachev's temerity in disrupting the old system, or on his timidity in failing to push through really radical reforms, there is no way he can escape responsibility for it. Moreover, the failure is not only ecnnomic but social. Most Soviet cities are affected by a soaring crima rate, and many areas are close to civil war between different ethnic groups.

Politically what should command our support is not the Soviet president's personality, but the reform process he once stood for and has abandoned

The sad thing is that while all this has been going on perceptions of Mr Gorbachev within the Soviet Union have changed steadily for the worse. Probably he was never as popular there, outside e circle of reformist ideologues, as he was in the west. Among Soviet people there was always a degree of scepticism, even cynicism, about talk of democracy coming from e man who reached the top through the arcane and ruthless processes of the unreformed Communist party. People there, after all, had suffered directly from his early (and highly authoritarian) mistakes, such as the anti-alcohol campaign. The first campaign against Boris Yeltsin, in the autumn of 1987, stuck in the popular mind in all its old-fashioned nastiness, and has conditioned the popular response to all the subsequent controversies in which Mr Yeltsin has been involved.

Second, in his ettempts to grapple with the consequences of failure, Mr Gorbachev has resorted more and more to the old euthoritarian methods, and allied himself more and more with what is known confusingly as "the right": the neo-Stalinist conservative elements within the party, the KGB and the armed forces.

The more brutal attempts to reassert control by force have so far happened in the outlying republics – Georgia, April 1989; Azerbaijan, January 1990; Lithuania and Latvia, January 1991 – and, except in Azerbaijan, were stopped before they had gone far enough to achieve their political objectives. But the underlying message has become steadily clearer: Mr Gorbachev is not willing to cede control of the economy to market forces, nor to cede control of public order to national euthorities in the republics.

His commitment to democracy is limited, if not negated, hy the priority given to those two refusals; and even glasnost, in the last resort, is to be sacrificed to them. So far the press and the foreign media still enjoy a remarkable degree of freedom, but already Soviet radio and television are being brought back under tight governmental control.

Through most of this winter the democratic forces heve appeared on the defensive, and last summer's assertion of Russien sovereignty under Mr Yeltsin has looked rather hollow. The real levers of power, it turned out, are still in the hands of the centre, and the centre does after all still have the will to use them. But the size of last Sunday's pro-Yeltsin demonstrations ehowed that the struggle is by no means over. Next Sunday's referendum on the preservation of the union will mark e very important stage in that struggle, if not the decisive one.

However grateful we in the west feel to Mr Gorbachev for his handling of earlier phases in the crisis, we cannot evoid the awkward fact that in the present phase he has put himself nn the wrong side. The west should by now have learnt the lesson, in other parts of the world, that it is dangerous to go on supporting e foreign lesder becaose his policies fit in with our interests, or even because he proclaims his sympathy with our values, if he lacks the support of his own people and therefore cannot apply those values in his domestic policy.

Mr Gorbachev has e fascinating and, on the whole, attractive personality. It may be that some of his domestic critics, including Mr Yeltsin, are unfair on him. But politically what should command our support is not his personality but the reform process he once stood for: in the good old 18th-century slogan, "measures, not men".

Andrei Sakharov said shortly before be died: "The danger is not that Gorbachev might fall, but that he might pursue a policy such that we no longer care whether be is there or not." Alas, things have gone further than that. Hundreds of thousands of Russians, including all Sakharov's old allies and supporters, are now in the streets calling for Mr Gorbachev to resign.

LETTERS

Benefits of privatising British Coal

From Professor Colin Robinson.

Sir, Mr Heathfield (Letters, March 7) complains that your leader of March 4 advocates leaving coal to market forces and "throwing away the security of our coal reserves".

In fact, your leader was a sensible re-statement of views expressed over many years by economists concerned about the future of British coal mining. British Coal is an unnatural monopoly created by politicians and it should be privatised.

Basing energy policy on "strategic" considerations, which Mr Heathfield favours, is what British governments did for 30 years – from the late 1960s until recently.

Successive governments supported the nationalised coal industry (not the small number of private miners) and nuclear power at vast expense to taxpayers and fuel consumers, but with no discernible benefit.

Indeed, substantial security costs were incurred from dependence on British coal – supplies of which were interrupted more often than those of Middle East oil – and on nuclear power stations which were not completed to time and to cost and which frequently proved unreliable in operation.

There were environmental costs, too, arising from the electricity supply industry's forced dependence on British Coal.

In practice, "strategic" reasons are so ill-defined that a policy based on them gives an excuse for pressure groups to impose their will, via politicians and civil servants, on the rest of society.

Coal privatisation, which should have been carried out before the industry reached its present depressed state under government ownership, is needed if there is to be any future for those in the industry.

Although it is now fashionable to argue that British coal-mining will wither away, that is probably much too pessimistic. Electricity generators will not wish to depend completely on imports any more than they now wish to depend completely on British Coal. It is in their interests to have a substantial indigenous coal industry, provided its costs are not too high – and costs might turn out surprisingly low if privatisation brought new management and new ideas.

Of course, privatisation represents a step into the unknown. But the future under state ownership, that is, continuation of the decline which has been going on since 1913, is all too certain.

Colin Robinson,
professor of economics,
University of Surrey,
Guildford, Surrey

All wars are different

From Dr Richard Seager.

Sir, In two recent articles, one by David White ("Sky wars delivers the victory", March 1) and the other by Peter Riddell ("Burdens of victory", March 1) comparisons are drawn between the wars in the Gulf and in Vietnam. These two wars were totally different.

In Vietnam, the US wes fighting on Vietnamese soil to prop up a brutal and unpopular government and against an enemy that enjoyed undoubted civilian support. In the process, the US dropped more bombs on Vietnam than had been used in the entire history of warfare up to that time, killed more than 1m Vietnamese, and still lost.

We should not insult the courage and determination of the Vietnamese by suggesting that yet more force, or its more rapid application, would have achieved "success".

In contrast, the Iraqi troops were being asked to fight for a country that was not theirs, for a government they feared and often despised, and against an allied force that did not wish to occupy their country or impose a government upon them. It is hardly surprising they lacked the will of the Vietnamese.

It is ironic that while President George Bush has frequently compared President Saddam Hussein to Adolf Hitler, Air Vice-Marshall Nguyen Cao Ky, who in 1965 became premier after the fall of Saigon's last civilian government, was notorious for his admiration of Adolf Hitler. The lesson should be that all wars are different.

For the statistics on the bombing of Vietnam and the reference to Nguyen Cao Ky see The Rise to Globalism: American Foreign Policy, 1938-1980, Penguin (1980).

Richard Seager,
Joint Institute for the Study of the Atmosphere and Ocean,
University of Washington,
Seattle WA 98195

Argument for a tax on tourism

From Mr Stephen Cohen.

Sir, It is difficult not to sympathise with the Greek government wishing on the one hand to charge foreign tourists and on the other let its own citizens see their national heritage free of charge.

Surely, historic sites which are big tourist ettractions are – like the quality of the environment – a wasting asset and must be paid for as such. The solution is to issue each citizen with, say, £100 worth of freely-transferable vonchers each year which they may use et any national site or sell in the secondary market to travel agents and others.

At the same time, the entry charges to these national sites should be raised very significantly – probably at least 300 or 400 per cent – so as to reduce the total number of visitors to a level which will not allow any noticeable deterioration in the quality of the site and will be sufficient to pay for repairs.

This will be the tourists' equivalent of e "carbon tax" and probably the only equitable way to preserve national parks and monuments from ths otherwise endless growth in sightseeing.

Stephen B. Cohen,
4-18-4, Shirogane,
Minato-ku, Tokyo 108

An illusion of synergy in M&A

From Mr Clifford L. Brody.

Sir, In the first article of the excellent Financial Times series on European finance and investment (February 14), you correctly refer to the illusion of synergy that can emerge as EC banks and insurance companies consider mergers or acquisitions.

My experience as edviser to more than 50 of the US's leading banking institutions is that US financial services institutions that succeeded here with ambitious merger and ecquisition strategies looked before they leaped to the marketing thet would be needed after the merger in order to reach their markets.

The most successful strategists always focused on markets: what they would be like today, and whether they would grow fast enough to warrant those synergies that M&A specialists talk ebout so vigorously when a deal (and fee) is at band. Those bere who thought merely that "larger is better" – end there were plenty – lost and lost big.

Now it is the EC's turn. EC financial services sector leaders who look hard at the marketing lessons learned in the American laboratory will win handily. That so many here in this laboratory still don't says that history could easily repeat itself in Europe, ted by bank or Insurance company senior executives who fail to examine where those "synergies" really are.

The key to success is knowing how markets are already changing, and what financial services an increasingly sophisticated customer will and will not accept from a "single source".

Clifford L. Brody,
president,
Clifford L. Brody Associates,
1819 L Street NW, 10th Floor,
Washington DC 20036

Liberalisation of international telecommunications

From Sir Bryan Carsberg.

Sir, Hugo Dixon's report on liberelisatlon in telecommunications ("UK international telephone market may be liberalised", March 11) quotes me as saying that "The government is likely to bring forward plans to auction parts of the UK radio spectrum to the highest bidders." I regret that Mr Dixon must have misunderstood me and, in view of the strong public Interest in the subject, I should like to put the record straight.

I told him that be should ask the government about its plans for the radio spectrum. I have not discussed the matter with the government recently and I do not have any up to dete information about its plans.

Sir Bryan Carsberg,
director general of telecommunications,
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FINANCIAL TIMES
Wednesday March 13 1991

Dollar politics baffle observers

Intervention is a matter for the Group of Three, writes **Peter Norman**

TO the casual observer, the foreign exchange markets and the central banks that police them must seem this week to have taken leave of their senses.

The dollar, which only a month ago was being rescued from plumbing new depths against the D-Mark by substantial central bank buying, has this week been restrained from advancing strongly against the German currency by equally heavy official dollar sales.

Yesterday, the Bundesbank sold dollars for the second day running. Earlier, the Bank of Japan intervened modestly to curb the US currency's rise in Tokyo.

As the morning unfolded, the Bundesbank's efforts to cap the dollar at just under DM 1.57 were backed by smaller European central banks including those of Belgium, Austria, Denmark, Finland, Portugal and Greece.

In mid-February, many of the same central banks were preventing the dollar from falling below its record trading low of DM 1.443.

The dollar's rise reflects strong hopes of a quick US recovery from recession aided by a boost to business and consumer confidence after victory in the Gulf. According to Mr Paul Chertkow, Citibank's chief currency strategist in London, this optimism has prompted a strong flow of funds for investment into the US in recent days.

That an upwards movement of about 13 pfennigs in the dollar's value should prompt such a stiff and contrary central bank reaction can be attributed mainly to growing uncertainties surrounding the D-Mark and Bundesbank fears that these could fuel inflationary pressures.

The German currency has lost favour as investors have become increasingly aware of the burdens of German unification. The Bonn government's recent, belated decision to increase taxes did little to boost confidence that Germany's budget deficit will be brought rapidly under control. In January, Germany recorded its first current account deficit since the early 1980s. Unrest in the Soviet Union and parts of central Europe has reintroduced an element of geo-political risk into assessments of the value of the D-Mark.

Germany has just begun a difficult wage round that saw public service workers staging brief strikes in support of 10 per cent wage claims yesterday. The tax increases may push up consumer price inflation towards 4 per cent from about 2.7 per cent at present.

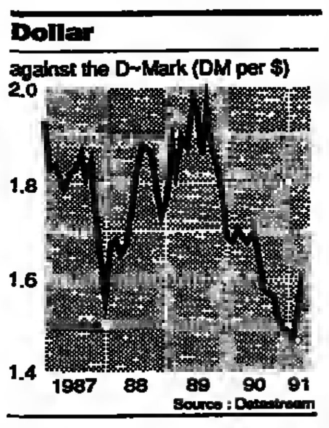
The Bundesbank's decision to cap the dollar through intervention is intended to prevent a weakening of the D-Mark that might encourage imported inflation in addition to existing inflationary pressures.

Such preoccupations are shared to some extent by the Bank of Japan, which sold dollars through the Bank of England on Monday and in Tokyo yesterday.

The US, which never comments on intervention, has at least two reasons for participating in the dollar sales. They keep the price of US goods low on world markets and should aid economic recovery. The US Treasury is also thought to favour such co-operative action as a symbol of the co-ordination of monetary policies by the Group of Seven leading industrial countries.

However, not all G7 countries are enthusiastic about the latest moves to stop the dollar's rise. The Bank of France has been notably aloof from intervention this week. The Bank of England took part on Monday, but because it was concerned about the speed of the dollar's rise rather than the rise itself. The Bank of Italy only took part in the intervention yesterday.

These countries stand to profit from a strong dollar because it gives them more scope to lower their domestic interest rates. In February, the same central banks were unhappy at an initial lack of concern shown by the US Treasury and Bundesbank to the dollar's fall. Increasingly, the politics of the dollar and intervention appear a matter for the Group of Three: Japan, Germany and the US.



Moscow plans to privatise 23,000 companies

By William Dullforce in Geneva

THE Soviet government is planning to privatise more than 1,000 retail stores, 9,300 public catering facilities and 12,800 businesses in the services sector, it said yesterday.

In its first report to the council of the General Agreement on Tariffs and Trade (Gatt), the Soviet delegation reaffirmed President Mikhail Gorbachev's commitment to making the transition to an internationally open market-oriented economic system.

When the Soviet Union was granted observer status in the Gatt last May, council members asked Moscow to report regularly on progress in its economic and trade reforms.

Observership is normally seen as a first step to full membership, but several major trading nations emphasised last year that the Soviet system was still incompatible with the principles and provisions of the Gatt.

The delegate said that in the past 12 months a series of laws ensuring freedom for all types of economic activity had been passed or had had their first reading in the Supreme Soviet.

Another package, covering privatisation, anti-monopoly activities, intellectual property rights, consumer protection, securities and stock exchange operations was "on the agenda".

Legislation provided for equal and in some cases preferential, treatment for foreign companies. Features included the leasing of land, full ownership of other property, tax incentives and repatriation of profits.

Commodity exchanges were functioning in many cities, three of them in Moscow, where a stock exchange had been started and a foreign currency market was expected to be operating shortly.

Under the decentralisation programme, republic and municipal authorities now accounted for 37 per cent of total production against 4.5 per cent in 1985. Over the same period, in terms of numbers employed, the non-state sector had grown from 13 per cent to 17.5 per cent.

Last year, 2,400 industrial enterprises operating under leasing contracts were responsible for 5.2 per cent of total industrial output.

Co-operatives produced Rbs70bn worth of goods and services against Rbs40bn in 1989. They numbered 260,000, employed 6.2m people and accounted for 7 per cent of Soviet Gross National Product.

At the beginning of 1991, 40,600 private farms cultivated 700,000 hectares of land.

Soviet miners' strike, Page 4

Delors urges faster pace towards EC union

By David Gardner in Strasbourg

MR Jacques Delors, president of the European Commission, yesterday complained that EC member states were "working too slowly" towards economic and monetary union.

Arguing against recent statements from Germany, Britain and Spain, Mr Delors said EC economies did not necessarily have to show similar economic indicators and development in order for the Community to press on with the second and third stages of Emu.

It was "not a question of parallelism" but of pushing towards the same objectives, Mr Delors told the European parliament.

Germany, Britain and Spain have all said that greater efforts to narrow the gap in the economic performance of member states were needed before advancing towards Emu.

Mr John Major, the UK prime minister, called in Bonn on Monday for "much greater progress towards economic convergence between member states.

"The gaps at present are too wide," he said. He wanted "clear and objective performance criteria" before moving between stages of Emu, and for control of monetary policy to remain in national hands throughout stage two, due to begin in 1994.

Bonn wants to postpone the creation of a European central bank until the end of stage two. Mr Delors' spokesman last week accused Germany of backsliding on the agreement reached at the first EC summit in Rome last October.

Mr Delors praised Mr Major's speech as evidence of "a change not just in style but of substance," but insisted that there was nothing in European or international economic developments to prevent the Community from advancing towards Emu.

In a parliamentary debate on Emu, the Commission president also argued that monetary policy "is not everything".

He pointed out that the Spanish peseta and sterling – the most recent entries to the European Monetary System (EMS) which links most EC currencies – had operated respectively at the top and the bottom of their bands, even though Spain and the UK had almost identical interest rates and similar rates of inflation.

He said that the EMS had shown its "intrinsic strength" despite recession in the Anglo-Saxon economies and slowdown elsewhere, the uncertainty caused by the Gulf crisis, much less demand from eastern Europe and a lack of leadership by the Group of Seven industrial nations.

In a separate statement, Sir Leon Brittan, the UK's senior EC commissioner, said yesterday that Mr Major's Bonn speech meant unanimous agreement by EC member states on Emu "is now within our grasp."

Sir Leon, hailing "an important development in British policy towards Emu", said that the UK "government could in good faith sign an Emu treaty setting up the institutions needed for a low inflation single currency throughout the EC, but parliament could decide nearer the time of implementation whether Britain should actually participate."

He drew the parallel with the EMS, which was set up in 1978 with British approval, but which the UK did not actually join until 1990. Mr Delors also used the EMS analogy. He said that "if we had looked only at convergence in setting up the EMS there would be no EMS."

The Commission president also took issue with Spain, which is pressing for a special "compensation fund" to be set up to enable the EC's less-developed countries – itself, Portugal, Ireland and Greece – to catch up with their partners. He said "if we set conditions for economic and social cohesion this will lead to a failure" of Emu and the parallel talks on political union.

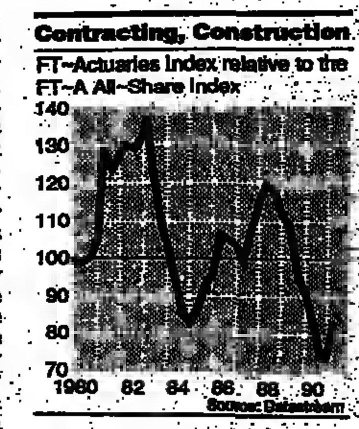
Commission president Jacques Delors: not enough progress

THE LEX COLUMN

A mysterious surge in power

However uncertain the rumours, there was something very odd going on yesterday with the electricity generators. High turnover in first day dealings of privatisation stocks is routine. A figure of 16 per cent of the issue is not: the equivalent figure for the electricity distributors ranged from 8 per cent to 12 per cent. There is also something anomalous about the generators' first day premium to the fully-paid price of 22 per cent, compared to the distributors' 25 per cent. The generators, after all, were only 4 times oversubscribed. They now yield 5.2 per cent, a full point below the level at which they were priced and very nearly a point below the distribution package.

Until the nature of the rumoured staka-building becomes clearer, it is too early to conclude that this issue too was under-priced. But if substantial industrial bidders emerge, it might be asked why a government prepared to sell the whole of PowerGen to Lord Hanson – and willing to consider a trade sale for its remaining 40 per cent of both generators – did not research the market more thoroughly in advance. The method chosen for the sale – book-building, back-end tenders and the rest – was admirably designed to get the best price out of the institutions. It looks as if someone may have outsmarted it just the same.



Wimpey

The news from Wimpey was not all bleak yesterday. Borrowings in 1990 fell by a fifth, thanks to a determined drive to conserve cash. A deal to sell 50 per cent of the troubled Little Britain development could soon be in the bag. And the cautiously optimistic noises about trading in 1992 suggests that there must be some faint light showing at the end of the tunnel.

The question still arises of whether the market is hearing what it wants to hear. Wimpey's shares have been a classic play on interest rates in recent weeks. But last night's price of 209p puts them on a historic multiple of 25, which is looking two years ahead and possibly further. Certainly UK housebuilding profits, which almost disappeared in 1990, will bounce back quickly with lower financing and marketing costs, not to mention higher volumes. But calling the turn on consumer confidence remains hazardous. Wimpey sees no real evidence of it to date and implies that recovery will not show through till the second half of this year at the earliest.

The other matter which shareholders may wish to ponder is the shift towards less cyclical businesses like waste management and minerals and away from property. There is every reason for the group to find some better performing assets, even if this hardly looks the best time to to be getting out of property. But investors may need a lot of faith to convince themselves that Wimpey can successfully buy its way deeper into areas where it has yet to show any real flair. The new management will be on probation for a while yet.

UK economy

The second successive monthly jump in UK producer prices is faintly worrying. Mr Major described January's rise of 6.3 per cent as "suspect". The same figure repeated for February cannot be quite so easily dismissed, especially as the underlying figure excluding food, drink and tobacco has risen from January's 6.5 per cent to 6.7 per cent. It is too early to assume a trend, especially since the figure is so plainly at odds with the latest reports from the Confederation of British Industry. It might also come as news to ICI, for instance, to hear that chemicals prices are up 8 per cent on a year ago. But there is plainly a conflict of evidence between output and retail prices. Of the two, the output series has if anything been less erratic in the past.

Given that input prices continue to fall – by 2.4 per cent this time, against 2.6 per cent in January – one might wonder why the manufacturing results season shows such pressure on margins. Part of the answer must still be wage costs, though here too the evidence from the CBI suggests the pressure is moderating. It could also be that manufacturers are defending prices at the expense of volume, in the belief that the economy is about to pick up in the next few months. But that too is scarcely consistent with the tone of chairmen's statements in the past week or two. Doubtless the February output figure is suspect again. Next week's retail price figure will be awaited with a touch of nervousness just the same.

Standard Chartered

After Midland Bank halved its dividend a week ago, the decision by Standard Chartered to reduce its total payment by 43 per cent was something of an anti-climax. Indeed, Standard's share price has outperformed the market by 10 per cent in the past month, suggesting that it is no longer seen as the UK banking sector's basket case. The undisputed title now belongs to Midland.

The reason lies partly in the simple truth that Standard has significantly reduced its risk profile. It has a few lumpy exposures left, but the rampantly dodgy lending of the past is gone. While the clearing bank results were generally notable for the sharp increase in second half bad debt provisions, Standard's were £4m below its £99m charge in the first half. True, its UK profits were dismally absent, the result being a near-80 per cent tax charge. But its tier one capital ratio is now bettered only by Barclays, TSB and Abbey National.

The dividend cut saved about £40m but could not prevent a £13m dip into reserves. Even so, the bank had more than £300m of distributable reserves at the year end, so yesterday's payment was on that basis covered seven times. By contrast, Midland's £141m of distribontable reserves covered its dividend just twice. Standard offers a coherent dividend policy for the future, based on the progression in earnings. Midland's will be obscure until the interim stage.

It might seem curious, then, that Midland's shares yield 6 per cent against Standard's 8 per cent. That may reflect Midland's unique exposure to recovery in the UK economy. Standard is not far behind in that respect and is additionally geared to the US and Australia. Those investors who got on for the rids a year ago should hang on a while yet.

De Benedetti to face Ambrosiano trial

By John Wyles in Rome

MR Carlo De Benedetti's long-running hattle with the Italian judiciary over his role in the Banco Ambrosiano collapse took a turn for the worse yesterday wben the Milan appeal court sent him for criminal trial on charges of involvement in frandulent hankruptcy.

Mr De Benedetti, ona of Italy's leading husinessmen and chairman of the Olivetti group, who has had a long-running hattle with the Italian judiciary over the affair, last nigbt termed tbe decision "extremely unjust, with no legal or factual basis". He said it ran counter to the conclusions of the puhlic prosecutor that no case against him existed. Nevertheless, no further appeal is possible.

The court's decision apparently turns on the severance terms negotiated hy Mr De Benedetti for resigning the vice-presidsncy of Banco Ambrosiano after just 65 days in office because of his lack of access to information about the true state of the bank's prohlsms. His departure was encouraged hy Mr Roberto Calvi, tbe Ambrosiano president, who was found hanging from Blackfriars Bridge in London after ths hank had collapsed with $1.2bn of debts.

When be resigned, Mr De Benedetti sold to a third party for the sama amount plus interest the 2 per cent stake of Ambrosiano he had purchased the previous November for L84bn ($71.2m). He had paid for his stake partly in cash, partly in securities and partly with L32bn of promissory notes he was holding.

The appeal court has decided that it was a misappropriation of Amhrosiano funds for Mr De Benedetti to have been on one side of such a contract which should, under law, have been approved by the Bank of Italy.

The Ambrosiano case dates back to events of late 1981 and early 1982.

In this as in more recent court judgments over his fight to control the Mondadori publishing company, Mr De Benedetti has generally triumphed in lower courts only to stumble at the highest levels.

In previous hearings and investigations be bad been cleared of fraudulent hankruptcy, only to have the charge revived by more senior judges.

Further changes in Mondadori management, Page 18

Poles hope for big debt reduction

POLISH officials expressed optimism yesterday about securing an unprecedented reduction in the country's foreign debt burden following a meeting hetwaen President Lecb Walasa and US Treasury under-secretary Mr David Mulford.

Presidential press spokesman Andrzej Drzycimski was quoted yesterday hy the Associated Press as saying: "We can expect a two-phase reduction of tbe Polish debt, extended over three years, but reaching up to 80 per cent."

The US has supported significant deht forgiveness on Poland'a debt to western governments. But tbe proposal faced significant opposition from other governments, particularly Germany.

Poland has been asking for forgiveness of 80 per cent of its $39bn debt to foreign governments. Given the strong resistance to this from some quarters, western finance officials have said it is unlikely that such a deep reduction would be agreed by all members of the Paris Club, which groups more than 20 creditor governments. The maximum forgiveness previously agreed by the Paris Cluh was 33 per cent for the poorest countries.

Belgrade riots raise fears of martial law

Continued from Page 1

presidency.

The army – 70 per cent of its officer corps are Serbs – opposes any change to the country's federal structures. It has repeatedly said it would defend a socialist and federal Yugoslavia – views shared by Mr Milosevic.

But the republics of Croatia, Slovenia, Bosnia-Hercegovina and Macedonia favour a confederation aimed at devolving wide powers to ths republics at the expense of the federal government and Serbia.

Despite fears of an army intervention, tbe demonstrations, spearheaded hy students and intellectuals, stepped up their demands for an end to the communist monopoly over the media, the sacking of senior editors and the dismissal of Mr Radmila Bogdanovic, Serbia's interior minister.

He ordered police to use water cannon, tear gas and tanks to quash the demonstrators last Saturday. Two people were killed and over 80 people injured.

Mr Milosevic yesterday attempted to pacify the demonstrators hy dismissing some editors. But they were replaced with pro-Socialist party supporters.

Reports that Mr Vuk Draskovic, leader of the opposition Renewal Party of Serbia, was released from detention, were last night not officially confirmed. He and more than one bundred people were detained last Saturday.

The demonstrators are now demanding the resignation of Mr Milosevic, who was catapulted into power in 1987 on a wave of Serbian nationalism.

A journalist from Belgrade yesterday said any intervention of the army would harden the demonstrators resolve and could laad to more violence, not only between Serbs themselves, but hetween Serbs and tbe country's otber ethnic groups.

Mr Dragan Kucan, an economist at the management school in Zagreb, the capital of Croatia, said a state of emergency would inhihit foreign companies from investing in the country. "We are in desperate need of capital. But no one will invest bere under such circumstances of instability," he said.

● Tbe Yugoslav government, appealing for calm though the Tanjug news agency, said yesterday that force should not be used to halt anti-communist protests in Belgrade, Reuter reports from Belgrade.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	F	23	73
Amsterdam	C	14	57
Athens	C	11	52
Bahrain	S	19	66
Bangkok	F	34	93
Barcelona	Fg	12	54
Beirut	–	–	–
Belfast	C	11	52
Belgrade	S	11	52
Berlin	C	10	50
Biarritz	F	19	66
Bombay	S	32	90
Bordeaux	S	17	63
Boulogne	F	14	57
Brussels	F	15	59
Budapest	S	13	55
Buenos Aires	F	26	79
Cairo	F	22	72
Cape Town	S	29	84
Caracas	C	27	81
Casablanca	C	16	61
Chicago	R	-1	30
Cologne	S	15	59
Copenhagen	C	8	46
Corfu	S	15	59
Dallas	F	18	64
Dublin	R	15	59
Dubrovnik	S	16	61
Edinburgh	C	7	45
Faro	C	15	59
Florence	F	16	61
Frankfurt	S	12	54
Geneva	S	10	50
Gibraltar	C	16	61
Glasgow	R	8	46
Helsinki	C	1	34
Hong Kong	C	21	70
Innsbruck	S	14	57
Inverness	F	8	46
Islamabad	C	22	72
Istanbul	C	6	43
Jakarta	R	32	90
Jersey	F	13	55
Johannesburg	C	22	72
Lima	F	27	81
Lisbon	F	15	59
London	C	12	54
Los Angeles	S	9	48
Luxembourg	S	11	52
Madeira	S	19	66
Madrid	F	13	55
Majorca	S	15	59
Malaga	F	16	61
Malta	F	17	63
Manchester	C	12	54
Manila	C	32	90
Melbourne	C	16	61
Mexico City	F	29	84
Miami	S	13	55
Milan	S	13	55
Montreal	C	-3	27
Moscow	C	3	37
Munich	S	9	48
Nairobi	S	26	79
Naples	C	15	59
Nassau	C	23	73
New Delhi	–	–	–
New York	S	-3	27
Nice	F	15	59
Nicosia	C	16	61
Oporto	F	14	57
Oslo	C	3	37
Paris	S	15	59
Peking	Sn	0	32
Prague	C	8	46
Reykjavik	C	2	36
Rhodes	F	13	55
Rio de Janeiro	F	38	100
Rome	R	14	57
Salzburg	S	14	57
San Francisco	R	10	50
Seoul	S	8	46
Singapore	F	31	88
Stockholm	C	3	37
Strasbourg	S	9	48
Sydney	C	19	66
Taipei	–	–	–
Tangier	R	15	59
Tel Aviv	S	19	66
Tenerife	F	21	70
Tokyo	C	11	52
Toronto	S	-9	16
Tunis	S	17	63
Valencia	F	16	61
Venice	S	14	57
Vienna	C	11	52
Warsaw	C	10	50
Washington	S	-2	28
Zurich	C	8	46

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
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INSIDE

De Beers suffers 16% decline in profits

Recession has taken the sparkle off results at De Beers and its overseas arm, De Beers Centenary. The companies, which dominate the world diamond industry, yesterday announced a 16 per cent decline in 1990. However, De Beers chairman Julian Ogilvie Thompson (left) said the results were in line with their expectations of a quiet year following the "quite phenomenal" growth of the second half of the 1980s. Page 20

'Allo, 'allo

Three UK insurers have launched ventures in recent months in France, one of continental Europe's most competitive markets. The expansionary moves of Sturge Holdings, Commercial Union and General Accident show a marked contrast to expensive retreats announced last year by their competitors. Richard Lapper looks at their motives for expansion. Page 26

Hillsdown treatment pays off

Hillsdown Holdings unleashed a whirlwind on Canada Packers, the Toronto-based food processor, when it bought a majority stake in the group last year. Now it is set to reap the profits of its famed "turn-around treatment". Canada Packers' ability to tackle new markets and products has greatly improved, and Hillsdown has brought an edge to the company which it never had as a stodgy, family-controlled concern. Bernard Simon reports on Hillsdown's plans for Canada Packers. Page 22

Step forward for Euroquote

This week saw a small, but significant, step forward for Euroquote, the Europe-wide share trading system. General Electric Information Systems has won the contract to develop a price-dissemination system for the 12 EC stock markets. But the diversity of European bourses means that much of the information needed to feed the programme does not yet exist in a compatible form, Richard Waters reports. Page 24

Glynwed falls 25%

Glynwed International, the Birmingham-based engineering group, is standing firm on dividend payments, despite a near-25 per cent fall in pre-tax profits to the lowest level since 1987. Gareth Davies (left), chairman, offered shareholders little solace for the current year, observing that it was difficult to give a clear indication of prospects. Paul Cheeseright reports. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Bilfng Berg	983	+	25	BIC	686	+	41
Brown Bov	899	+	19	Essilor	419	+	17.5
Mercedes	546	+	14	GTM-Entr	431	+	14
Sud Chemie	618	+	15	Total	719	+	11
Falls				Falls			
Aachen Mch	764	−	25	Fonc Lyon	843	−	22
Heidelb Zem	1070	−	25	Rousset-Ucl	1653	−	47
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Data General	12⅞	+	1⅞	Ishihara Const.	949	+	100
Intermagnetics	7	+	1⅞	Isutsuya	880	+	78
Falls				Jollyo	850	+	99
Stockholder	12⅞	−	1⅞	Kawaguchi	556	+	57
IBM	127⅞	−	1⅞	Nihon Mokyaku	1440	+	140
Kollmorgen	8⅞	−	1⅞	Osaka Kiko	855	+	100
Unisys	5⅞	−	⅞				

New York prices at 12.30.

LONDON (Pence)							
Rises				Oracles	65	+	7
ASD	92	+	7	Spraybank	127	+	18
Blagden Inds	192	+	18	Unitech	271	+	33
Britannia Grp	85	+	9	Wimpey (G)	200	+	10
CMW	46	+	23	Wood (SW)	41	+	8
Chell Amazing	78	+	8	Falls			
Clayform	87	+	12	ADT	112	−	5
Computer Pple	153	+	13	Brit Aerospace	817	−	13
Crown Comm	55	+	9	Brit Airways	166	−	18
DomesticGen	473	+	73	Inchcape	311	−	14
Everest	158	+	33	Lucas Inds	157	−	9
Harland Simon	580	+	50	WPP	142	−	50
Forth&Sand Mead	308	+	50				

Marine Midland $295m in red

J. Capel incurs £30m deficit

HK Bank 'disappoints' with 35% fall

By **John Elliott** in Hong Kong

THE Hongkong and Shanghai Banking Corporation yesterday reported a 35 per cent fall in profits to HK$3.02bn ($387m) – after tax and transfers to secret reserves – for 1990. William Purves, the chairman, acknowledged the results were "very disappointing and unsatisfactory".

This compares with HK$4.77bn profits in 1989 and is in line with market expectations. The bank warned earlier this year of mounting losses and heavy debt provisions in overseas subsidiaries such as James Capel in the UK, Marine Midland in the US, and an Australian subsidiary.

There have also been some bad debt provisions for projects in China.

Mr Purves said that the outlook for the current year was "very uncertain" because of international economic problems as well as the bank's own situation.

But neither he nor the bank's board planned to make top-level management changes. "The board has discussed the situation and have full confidence in the top management," he declared.

It was "not comparing apples with apples", Mr Purves said, to relate the bank's decline with the profit levels and halved dividend announced last week by Midland Bank of the UK, whose chairman and chief executive, Sir Kit McMahon, had resigned.

The Hongkong has a 14.9 per cent interest in the Midland and last December the two banks called off merger plans.

Mr Purves said yesterday that his board was "not turning its back on Europe", but there was "nothing cooking at present" on possible new mergers and alliances.

To try to correct its profits slide, the Hongkong Bank has "tightened up where we can" and increased its control of overheads. Credit quality was being improved and there had been management changes in the US, Australia and elsewhere.

The bank's profits were substantial enough to absorb all losses and debt provisions of its subsidiaries and to fund undisclosed transfers to its secret reserves.

The most serious problem is in New York-based Marine Midland. It declared a US$295.6m loss for last year – after extensive provisions on its commercial property portfolio – compared with a US$13.9m profit in 1989. Mr Purves would not comment on how quickly the losses might be reversed.

Australia's recession and high interest rates, coupled with deferred tax of A$79m (US$61m), resulted in a loss of A$273m for the Hongkong Bank of Australia. The Singapore operations were also "badly affected" by Australian exposure.

In the UK, commercial banking has been hit by provisions against a corporate loan portfolio. James Capel suffered significant losses in Euro-convertible market-making and other areas, and yesterday announced a £30.3m ($56m) loss. The results from Capel were the worst yet reported by a UK-based securities house for 1990.

Mr Purves said that in Asia the bank's traditional businesses had "performed well".

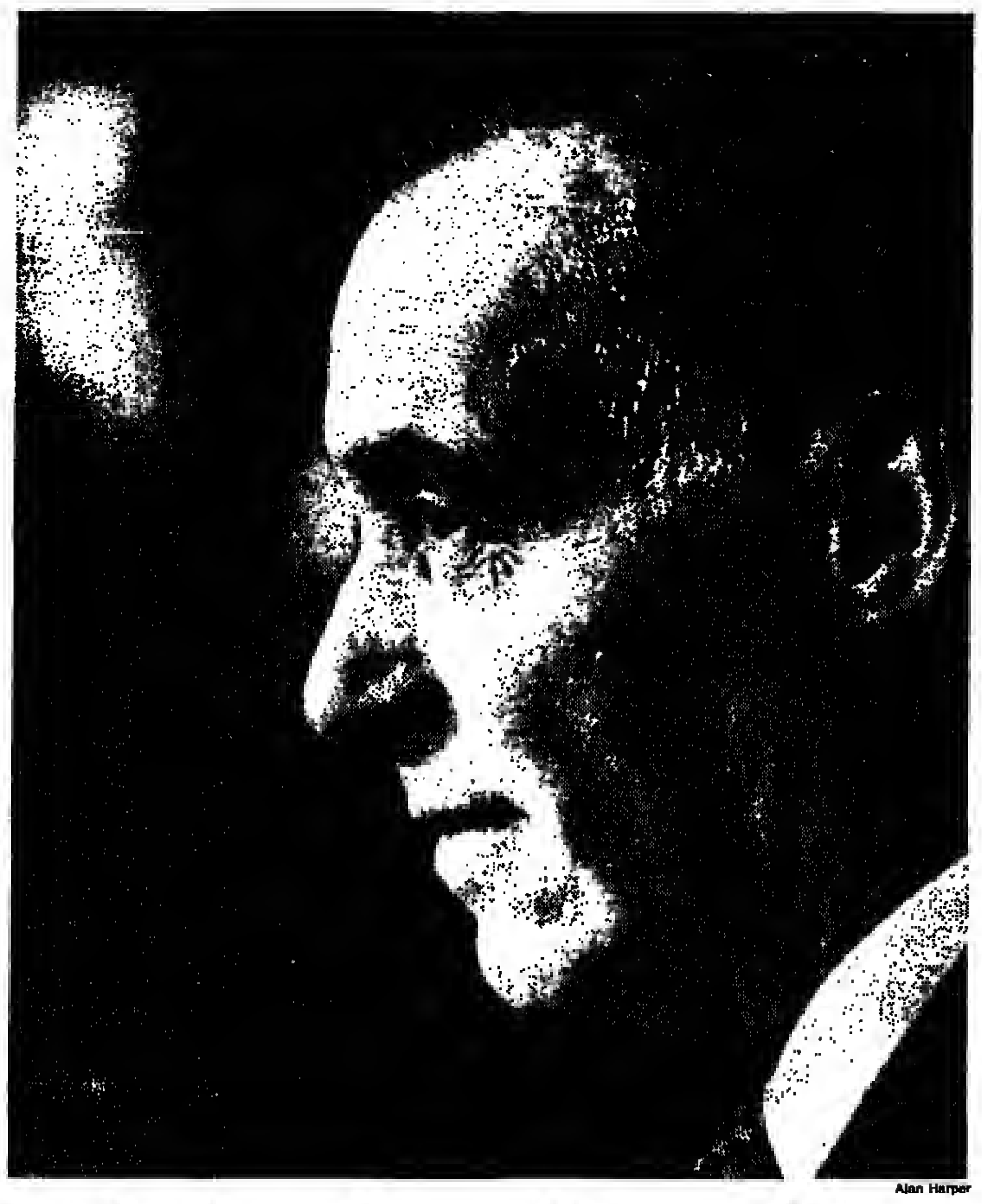
The Hang Seng Bank reported a 20 per cent rise in profits last Friday. But there had been several provisions against loans for hotels and other projects in China which were "not material" in relation to the bank's overall results.

The Hong Kong-based Wardley merchant banking arm last week announced a fall in profits from HK$521m in 1989 to HK$321m.

The bank also announced yesterday a profit of HK$1.05bn for its Greoville Transportation Holdings subsidiary. This was partly generated by an exceptional gain from the sale of remaining shareholdings in World Maritime and World Shipping and Investment Company. These were joint ventures with the Worldwide Shipping group controlled by the family of Sir Y.K. Pao.

The bank is setting up a holding company domiciled in London. Because of this, it announced a second interim dividend in January of 26 Hong Kong cents a share, making 39 cents for the year, 2.1 per cent up on 1989.

Yesterday Hongkong Bank said that it expected this year's dividends to be maintained at the 1990 level.



Alan Harper

Rodney Galpin: there will be no early return to the bank's previous dividend levels

Standard Chartered cuts payout to 7.5p

By **David Barchard** in London

STANDARD Chartered yesterday became the second UK clearing bank to reduced its dividend. It cut its second-half payment from 22.5p to 7.5p reflecting a disappointing trading performance in 1990. This brought the full dividend per share for the year down from 35p in 1989 to 20p.

Along with the dividend announcement, chairman and chief executive Rodney Galpin unveiled trading profits of £358m ($668m) before debt provisions, down 10 per cent from £397m.

Mr Galpin indicated there would be no early return to the bank's previous dividend levels, which were set in 1986. The directors would pursue a progressive dividend policy, he said, linked to the earnings performance of the group. The cut follows a similar announcement by the Midland Bank last week.

Standard Chartered had to dip into its reserves for £13m to pay the dividend despite the cut. This compared favourably with 1989 when it withdrew £113m.

The bank said the fall in trading profits was largely caused by exchange rate changes and the fall of the US dollar value of much of the group's overseas business last year.

The bank's total tax charge was £116.6m, up from £105.2m in 1989. The charge was high in relation to profits, largely because, due to insufficient UK profits, the bank could not offset all the advance corporation tax against dividend payments. It was also unable to use overseas tax credits worth £28.5m because its 1990 UK tax liability was cancelled by losses brought forward.

Problem country debt is down to £2.75bn from £4.64bn in 1987. In 1990 it fell by $550m through $378m of debt sales, said to be mostly at prices over net book prices, and $172m of repayment.

Standard Chartered's equity to assets ratio went up from 4.1 per cent in 1989 to 4.6 per cent. The total capital ratio under the Basle Convergence ratios rose from 9.2 per cent to 10.7. The bank's shares rose 6p in London to close at 335p.

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LVMH settles Lanson disposal

By **William Dawkins** in Paris

MOET HENNESSY-Louis Vuitton (LVMH), the French drinks and luxury goods group, yesterday confirmed the sale of its Lanson champagne brand to a joint venture formed by Marne & Champagne of France and Allied Lyons of the UK.

The sale, understood to be for about FFr1.6bn ($301m), also includes Massé, a much smaller champagne brand controlled by Lanson, a stock of 28m bottles and Lanson's cellars and buildings. Lanson, with a staff of 250, sold 7.4m bottles last year, while Massé sold 800,000.

This compares with the roughly 10m bottles sold last year by Marne & Champagne, a family-controlled, private company. Marne will become the world's second-largest champagne producer after LVMH. It is currently the world's fifth-largest producer.

The deal will conclude the widest reorganisation in the champagne industry for many years when it is finalised at the end of May.

Marne & Champagne is acting in a joint venture with Hiram Walker-Allied Vintners, the wine and spirits division of Allied Lyons. The joint venture was advised by the Paris office of Baring Brothers, the UK merchant bank.

The British company is already the biggest foreign distributor of Lanson, which it sells in the UK, Hong Kong and Italy. Hiram Walker-Allied Vintners will get distribution rights for the world outside of France and Switzerland. Marne & Champagne will handle distribution in those two countries.

After dilution for a convertible loan by Crédit Lyonnais, the French state-owned bank, Marne will own 76 per cent of the joint venture. The remaining 24 per cent will be held by the UK group.

LVMH bought Lanson, Massé and an associated brand, Pommery, from BSN, the leading French food and drink group, for FFr3.1bn only three months ago. LVMH wanted to recoup some of the cost, keep Pommery and the 500 hectares of prime vineyard that belonged to the three brands. Of that total, 210 hectares belonged to Lanson.

Marne & Champagne is controlled by its 90-year-old founder, Mr Gaston Burtin, and owns 150 relatively little-known brands, including Alfred Rothschild, Geissmann and Gauthier. A large part of its output also goes to making own-label champagne for supermarkets and restaurants.

Suez proposes to sell up to FFr6bn of assets this year

By **William Dawkins** in Paris

COMPAGNIE Financière de Suez, the French banking, industrial and insurance conglomerate, is planning to sell between FFr5bn (£503m) and FFr6bn of assets, representing around a tenth of its FFr60bn portfolio, this year.

Mr Gérard Worms, the group's new chairman, said the disposals were needed to restore its margin of manoeuvre in the recession. Société Générale de Belgique, the sprawling Belgian industrial group which is Suez's biggest holding, must further cut its debts by between BFr15bn (£250m) and BFr20bn this year, he added.

This is on top of the BFr17bn of La Générale disposals last year, including most of Fabrique Nationale Herstal, the Belgian arms maker and stakes in two Belgian insurance companies, a French construction group and in Alcatel Alsthom, the French telecommunications and engineering company.

Mr Worms emphasised there were no plans to sell La Générale's controlling stakes in Acec-Union Minière, a non-ferrous metals company and Cimenteries CBR, the cement producer. Speculation that La Générale might sell is believed to have caused a recent rise in both companies' share prices. However, he gave no clue as to which La Générale assets were up for sale.

Suez raised FFr1bn towards Mr Worms' target earlier this year, with the sale of a 45 per cent of Banque Parisienne de Crédit to Générale de Banque, a Belgian bank in which La Générale is the main shareholder, with a 20 per cent stake.

Officials cannot reveal the candidates for possible sales, though Mr Worms has previously said that a "rigorous management of assets" was needed at Compagnie La Hénin, a property and industrial holding subsidiary, as well as at La Géoérale. La Hénin made a FFr71m net loss last year, mainly due to the poor performances of its US property division, Cegep, of Labeyrie, its foie gras and smoked salmon subsidiary and of Salins du Midi, a salt producer which is also France's largest wine-maker. All of these are likely to come under scrutiny.

Esselte may make change to its ownership structure

By **John Burton** in Stockholm

ESSELTE, the Swedish office products group, is expected to announce today a change in its ownership structure after trading in its shares was suspended on the Stockholm stock exchange yesterday.

Esselte's main shareholder, the Swedish property and investment company Mobilia, with an equity interest of 37 per cent and a 44 per cent voting stake, filed for bankruptcy in December.

Mobilia's administrator, Mr Kent Hagglund, has been seeking a buyer for the company's holding in Esselte since then.

Two of Mobilia's creditors, Nordbanken and Gota Bank, earlier took half of its Esselte shares as collateral for outstanding loans, but they are understood to have agreed with Mr Hagglund to sell their holdings if a reasonable bid for the entire block of Mobilia's Esselte shares is made. Nordbanken and Gota Bank bought almost 7m Esselte shares at SKr150 per share, an amount equivalent to what Mobilia owed the banks, and they are understood to be seeking a price of SKr175 per share.

Esselte shares have been the subject of heavy speculative buying on the Stockholm bourse since the beginning of March, although the company last week reported a 75 per cent drop in profits after financial items to SKr145m (£13.5m).

The unrestricted B shares have climbed from SKr110 on February 28 to SKr130 on March 11.

The uncertainty over the future ownership of Esselte has been one of several problems that the company has confronted over the past year.

It has also been affected by economic slowdown in its main markets, the US, the UK and the Nordic region, while simultaneously carrying out a costly reorganisation of its marketing network following several large acquisitions in 1988.

Esselte's two biggest shareholders, Mobilia and the Ratos investment company, tried a leveraged buy-out of the company a year ago which was blocked by Mr Hans Larsson, Esselte president, and the board of directors, who feared this was a preliminary step to breaking up the company.

INTERNATIONAL COMPANIES AND FINANCE

Procordia posts profits down 41% at SKr2.08bn

By John Burton in Stockholm

PROCORDIA, the Swedish pharmaceutical and food group, yesterday reported that 1990 profits after financial items tumbled by 41 per cent to SKr2.08bn ($358m), while sales remained unchanged at SKr37bn. A dividend increased to SKr2.85 per share from SKr2.70 was proposed.

The result, which was forecast, was affected by large restructuring costs of SKr1.38bn resulting from the merger last year between Procordia, the former Swedish state holding company, and Provendor, the food division of Volvo, and Pharmacia, the pharmaceutical company controlled by the Swedish car maker.

Operating profits excluding the merger costs remained unchanged at SKr3.2bn against the 1989 pro forma results. Procordia predicted that profits in 1991 would exceed the 1989 results as rationalisation measures reduced costs.

The restructuring programme is expected to be completed by the end of 1992 and reduce annual costs by SKr1.5bn. But Procordia's pre-tax profit fell to SKr1.1bn, a 68 per cent decline, once extraordinary items were included.

Extraordinary costs amounted to SKr1.18bn, including SKr478m in additional merger costs and SKr422m for the closure of Procordia's engineering operations. Extraordinary income amounted to SKr215m with the sale of shares in the Liber publishing company.

The Procordia food group had an 11 per cent increase in operating profits to SKr2.04bn, while sales climbed by 7 per cent to SKr19.78bn. Operating profits in the health care group fell by 22 per cent to SKr1.4bn, although sales rose by 10 per cent to SKr12.88bn.

Huhtamäki climbs to FM196m

By Enrique Tessieri in Helsinki

HUHTAMAKI the Finnish confectionery, packaging and pharmaceuticals group, has reported an 11 per cent increase in profits before appropriations and taxes in 1990 to FM196m (US$53.2m) from FM176m a year earlier.

Consolidated sales also advanced by 5 per cent to FM5.77bn from FM5.48bn, while operating earnings fell by 6 per cent to FM400m.

A third of the company's sales are generated in the US. However, Mr Timo Peltola, the president, said that the weak dollar had only a marginally negative impact.

The group estimates that consolidated sales for 1991 will increase to FM6.3bn and that profitability will continue to increase despite a temporary decline during the first half of this year due to the timing of certain marketing operations.

Huhtamäki's confectionery division, which accounts for around half of consolidated sales, developed favourably with profit targets being met. Earnings per share fell to FM6.47 from FM7.32. A FM2.60 dividend has been proposed.

● United Paper Mills, the forest division of Repola, Finland's largest quoted group, will invest FM1.8bn at its Jamsankoski mill in central Finland installing a new magazine printing (SC) paper machine with an annual capacity of 300,000 tonnes.

Apart from greater demand for SC magazine paper, UPM added that the new paper machine will also help consolidate the company's role as one of the biggest global producers of SC magazine paper. The new paper machine at Jamsankoski will increase UPM's SC paper capacity to over 1m tonnes per year.

Wimpey holds payout despite slide

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Wimpey, Britain's second largest housebuilder, fell by more than two-thirds last year to £43.3m ($80.1m) from £134.7m in 1989.

But the group is to hold the total dividend at 10.5p, transferring £26m from reserves to do so.

Taylor Woodrow, another large UK construction company, on Monday revealed pre-tax profits last year down 28 per cent to £83.4m.

Sir Clifford Chetwood, Wimpey's chairman, warned that prospects for "this year are as tough, if not tougher than, last year".

Profits attributable to Wimpey shareholders fell from £81m in 1989 to £4m, after an extraordinary provision of £20m against discontinued land and commercial property businesses in the US. Separate provisions of £32m, taken as exceptional items above the line, were made against housing sites in the UK and US. They were partially offset by £19m in profits from the sale of two UK housing sites in Scotland and Sussex.

Sir Clifford said the group would not expect to see any improvement in profit margins until towards the end of this year.

Housing and contracting profits last year fell by 56 per cent. The number of homes sold in the UK fell from 7,091 in 1989 to 6,263. Average prices rose from £66,500 to £67,200. Margins, however, were sharply down.

Commercial property profits rose from £13m to £18m. The group's UK commercial property portfolio fell in value last year from about £356m to £320m. Profits from the minerals division, which includes aggregates in the UK and US, declined from £29m to £26m.

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Further changes in Mondadori management

By John Wyles in Rome

Silvio Berlusconi: television entrepreneur

MONDADORI, Italy's largest publishing group, yesterday faced its third top management change in little more than 15 months when Mr Luca Formenton was elected president of Amef, the holding company which controls the publisher's ordinary stock.

His election will be followed by a transfer of management control from Mr Carlo De Benedetti's holding company, CIR, to the families of Formenton and Mondadori in alliance with Mr Silvio Berlusconi, the television entrepreneur.

Mr De Benedetti regained management control of Mondadori last July after the court-ordered sequestration of the Formenton family's 25.7 per cent stake in Amef, having lost it the previous February.

The Formenton come-back follows a Milan court ruling against the validity of a December 1989 agreement to sell its Amef shareholding to Mr De Benedetti. This led to a subsequent court decision earlier this month releasing the shares from sequestration and enabling the Formenton alliance to place its man in the presidency at a board meeting yesterday.

Four court-appointed directors have resigned from the Mondadori board following the recent judgments. The board is scheduled to meet on March 27 when it may call an annual meeting to elect a new majority reflecting the changes in control of Amef.

Nedlloyd receives fresh ideas on board structure

By Ronald van de Krol in Amsterdam

NEDLLOYD, the Dutch transport and energy group, said yesterday that it had received new proposals on the issue of board representation from Mr Torstein Hagen, the Norwegian investor, and that it will respond to his suggestions at tomorrow's extraordinary shareholders' meeting.

The company said that Mr Hagen is proposing that he be appointed to Nedlloyd's supervisory board.

He also wants to become a member of a new sub-committee that will be charged with monitoring progress on the execution of a restructuring plan which he put forward for the group in January.

Under his new proposal, a total of three new seats would be created on the supervisory board.

In a previous proposal, rejected by Nedlloyd last month, he had called for five new board members.

Mr Hagen controls 23 per cent of Nedlloyd's share capital and claims a majority of shareholders back his restructuring plan.

He could not be reached for comment yesterday.

Nedlloyd's management has called the shareholders' meeting to lay out its future strategy.

Nedlloyd and Mr Hagen agree that the group's two core activities should be shipping and land transport, but the two sides disagree on the speed with which peripheral activities should be sold.

East Asiatic halves dividend

By Hilary Barnes in Copenhagen

THE EAST Asiatic Company, the trading and transport group, has halved the annual dividend to DKr5 a share after a fall in pre-tax profits to DKr685m ($105m) last year, compared with DKr941m in the previous 12 months.

The company said it was "a generally unsatisfactory result".

The group, with many activities in the dollar and dollar-related currencies, was badly hit by the decline in the value of the dollar against the krone.

Sales in krone fell from DKr17.73bn to DKr15.61bn, but in dollar terms they were slightly up, from $2.68bn to $2.74bn.

The group also announced an important management change. Mr Henning Sparsoe, the chief general manager, is to become chairman of the supervisory board, following the retirement of Mr T. Woldike Schmith, the chairman.

Mr Sparsoe will continue to carry out some of the functions of the chief general manager and no new chief general manager will be appointed to the board of directors.

Group operating profits fell from DKr1.08bn to DKr452m. All seven of the group's divisions reported a decline in sales, including a fall from DKr1.21bn to DKr1.06bn for the graphics division and from DKr689m to DKr556m in the transport division, which includes extensive liner shipping operations.

The pre-tax results, as a return on equity, fell from 25 per cent to 15.7 per cent. Net profits, down from DKr439m to DKr321m, represented a return on equity of 9.5 per cent compared with 14.0 per cent in 1989. Earnings per share fell from DKr23.18 to DKr15.01.

The group budgets for a better year in 1991, but also points out that its 1990 forecasts were very wide of the mark.

The balance sheet shows an increase in total assets to DKr14.89bn from DKr14.06bn but equity capital slipped to DKr 3.88bn from DKr4.19bn, or to 26.2 per cent from 29.8 per cent of assets.

Ambroveneto advances by 19% and raises dividend

BANCO Ambrosiano Veneto (Ambroveneto) yesterday reported that net profit last year rose 19 per cent to L170bn ($144m), compared with L143bn in the previous 12 months, AP-DJ reports from Milan.

Ambroveneto also said its board of directors would propose raising the dividend payment by L20 to L140 for ordinary shares and to L160 for preferred shares.

On the basis of continuing operations, net profit was up 30 per cent.

The 1989 earnings included L13bn in dividend payments from Banca Cattolica del Veneto before its merger with Nuovo Banco Ambrosiano.

Ambroveneto attributed its strong earnings report to an 11 per cent increase in deposits from clients to L15,900bn from L14,338bn last year.

It also reported a 13 per cent increase in funds managed, to L13,954bn from L12,712bn.

Client loans were also up 16.7 per cent to L13,746bn, from L11,779bn.

Gross operating profit rose 14.3 per cent to L560bn, from L490bn, a year ago.

French bank in Swiss venture

BANQUE Duménil-Leblé, the French investment bank controlled by Mr Carlo de Benedetti's Cerus group, is to team up with Mr Alain Duménil, the financier who built up the bank before selling out to Cerus, writes George Graham.

Duménil-Leblé is to merge its Swiss private banking subsidiary, DL Bank (Suisse) with Assets Development Bank, a Swiss private and corporate finance bank controlled by Mr Duménil.

The new bank will be called Banque Duménil-Leblé (Suisse) and will be based at Geneva, with offices in Zurich and Lugano.

GAN results down on UK storm claims

By William Dawkins in Paris

GROUPE des Assurances Nationales (GAN), the third largest French state-owned insurance company, yesterday revealed that net profits fell by 5 per cent last year.

GAN, due to publish final results on April 18, announced that net attributable profits fell from FFr2.5bn ($471.1m) in 1989 to FFr2.3bn last year, on turnover up by 23 per cent from FFr27bn to more than FFr33bn over the same period.

The French insurance business put in a good result, though results were affected by storm claims in Europe and notably in the UK, where GAN owns Minster, an accident insurance company.

Restructuring charges push VNU down 7%

By Ronald van de Krol in Amsterdam

VNU, the largest publishing group in the Netherlands, said provisions taken for future reorganisations helped push net profit down by 7 per cent to Fl 114m ($63m) in 1990.

The company gave no details of the size of the provisions, but a spokesman said the reorganisation charges were linked to possible changes in VNU's printing operations.

VNU has said it is considering a partial or a full withdrawal from printing in order to concentrate on its core publishing businesses.

A final decision has not yet been taken.

If it had not been for the provisions, net profit in 1990 would have been unchanged, compared with 1989, the spokesman said.

Operating profit fell by 4 per cent to Fl 236m, while turnover rose by 4 per cent to Fl 2.72bn. The company is to pay a 1990 dividend of Fl 3.80, unchanged from 1989.

In consumer publishing, VNU's newspaper and magazine activities posted virtually unchanged results.

VNU's Belgian magazines reported a significant decline in operating profit, as did the group's other printing activities.

NOTHING SUCCEEDS

Teesside development is bucking the trend. Under the stimulus of the Development Corporation's massive effort to transform the social environment and boost the economy, private investment is flowing in at an unprecedented rate. Over £500 million already committed – much more to come.

Work is well under way on major flagship schemes. Like Teesdale where 250 acres of formerly derelict industrial land is now being transformed into a new business world for the North. Like Teesside Park's 1,000,000 square foot shopping and leisure centre where trading has already begun. Like Hartlepool Marina where people are moving into the first houses and boats are moving into the first berths.

In the past three years more than 100 companies have been helped by the Corporation to set up or expand on Teesside. That means 7,500 projected new jobs and many more indirectly. Confidence in Teesside's success is shown in new major investment by worldwide manufacturing companies – ICI, Enron, Cable & Wireless, Integral Corporation, Sanyo, MTM, Tabuchi, Samsung.

Abundant new premises, a ready-and-able workforce, Development Area incentives, excellent road, rail, sea and air links, and the energy and commitment of Teessiders – all are combining to make Teesside one of the fastest growing business centres in the country.

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TEESSIDE DEVELOPMENT CORPORATION

Tokai Bank steps in with rescue operation

By Stefan Wagstyl in Tokyo

TOKAI BANK, a leading Japanese commercial bank, is to take over a local bank which ran into difficulties financing stock market and property investors.

It is the first rescue of a financial institution carried out in the wake of last year's plunge in the Japanese stock market and the onset of recession in the real estate market.

The operation, announced yesterday, indicates the pressure which dealing with over-borrowed speculative investors is putting on small and medium-sized financial institutions. Other similar rescues are expected to come in the next few months, both among banking institutions and non-bank financial companies.

The institution being rescued by Tokai is Sanwa Shinkin Bank, one of 450 small banks which rank in size below regional banks and above credit unions. Sanwa Shinkin, which has no connection with Sanwa Bank, the large commercial bank with the same name, is based in Tokyo and has deposits of Y188bn ($1.36bn), above average for its type.

The great attraction for Tokai is that Sanwa's 13 branches are all in the Tokyo area – a market in which Nagoya-based Tokai has long wanted to establish a beachhead. It is common knowledge in Tokyo that Tokai was bitterly disappointed last year when Kyowa Bank and Saitama Bank, two large Tokyo-based banks, announced plans to merge. Tokai had courted them both.

It is the first acquisition of a small Japanese bank by a large one since Sumitomo Bank rescued Heiwa Sogo Bank in 1986. The finance ministry has been reluctant to sanction such purchases, except in emergencies, for fear of opening the floodgates to the wholesale takeover of small credit institutions. However, more mergers are expected in future as small banks seek to consolidate to deal with their problem loans and to meet the challenge of interest rate deregulation.

Sanwa Shinkin's fate was sealed a month ago when it sought and received an emergency Y22bn loan from Tokai. Sanwa Shinkin ran into particular difficulties with two large borrowers.

One was Mogami Kosan, an aggressive real estate developer which borrowed around Y10bn and is in financial difficulties. Mogami's problems also contributed to the near collapse of Dai Ichi Sogo Bank, a medium-sized bank in Tokyo which had to be rescued three years ago by a consortium of large banks.

Sanwa Shinkin's other big creditor is Mr Takanobu Mori, an investor who used various companies to secure loans of over Y10bn for stock market speculation. Mr Mori has since disappeared.

Mr Kiichiro Ito, the Tokai president, said the acquisition of 13 well-run branches would strengthen Tokai.

De Beers declines in economic slowdown

By Philip Gawith in Johannesburg

DE BEERS, the South African mining group, and its overseas arm De Beers Centenary, which together dominate the world diamond industry, yesterday announced a decline in profits for the 1990 year as a result of the slowdown in the international economy.

In March 1990, the affairs of De Beers were rearranged with its non-South African business being put into the Swiss-based De Beers Centenary. These include all De Beers' mining interests in Botswana and Namibia and its international diamond trading activities through the London-based Central Selling Organisation (CSO), which it controls. In 1990, De Beers accounted for 19 per cent of attributable earnings and Centenary 81 per cent.

De Beers and Centenary announced combined net attributable earnings for 1990 – excluding the share of retained profits of associates – of $950m. This is 16 per cent lower than the unaudited 1989 figure of $1.13bn. Including the share of retained profits of associates, combined earnings were $1.32bn against $1.59bn. Diamond sales by the CSO in 1990 were 2 per cent up at $4.17bn.

Pre-tax profits were $1.42bn, and included $911m on the diamond account, $227m investment income and $282m interest received. The diamond account was 22 per cent down overall, in line with expectations, said Mr Julian Ogilvie Thompson, De Beers chairman.

Mr Ogilvie Thompson said the directors were pleased with De Beers Centenary in its new form, which confirmed the sense in the reorganisation. An agreement was recently reached whereby the CSO would resume marketing the entire production of the Cuango region in Angola.

Last year, De Beers Centenary concluded an exclusive contract with Glavalmazzoloto of the Soviet Union to market its diamonds for five years in exchange for which Centenary issued a $1bn loan to it, at a commercial rate of interest.

Mr Ogilvie Thompson said the results were in line with the directors' expectations of a quiet year following the "quite phenomenal" growth of the second half of the 1980s. He said preliminary figures indicated sales slightly down in the US and Japan and slightly higher in Europe.

Retail and rough diamond sales both suffered in the second half of the year from the Gulf conflict. Mr Ogilvie Thompson said there were encouraging signs in the international economic front, but it was too early to make forecasts with any degree of certainty.

Earnings for each De Beers/Centenary linked unit were 250 US cents against 296 cents, and 347 cents cents if retained earnings of associates are included compared with 418 cents. The dividend is slightly higher at 111.3 cents against 110.2 cents.

UIC plummets to 12-month loss of S$7.07m

By Joyce Quek in Singapore

UNITED Industrial Corporation (UIC), the diversified Singapore property, trading and manufacturing group, yesterday reported a fall into net losses of S$7.07m (US$4.05m) for 1990 from profits of S$12.85m a year earlier.

The fall followed interest charges of S$92.3m mostly relating to the takeover of Singapore Land (Singland) last year, as well as losses on investment activities, losses on foreign exchange and lower than expected contributions from associates.

Turnover rose to S$327.3m from S$289.4m while operating profits leapt to S$81.6m from S$19.7m, reflecting the consolidation of Singland's profits.

Without extraordinary profits of S$293.7m in 1989 from the sale of investments, 1990's extraordinary profits of S$124.6m from selling long-term investments, shares in associates and fixed assets were reduced by a S$88.3m provision for a fall in the value of Japanese investments.

UIC's earnings per share after extraordinary items fell to 3.4 cents from 45.8 cents while net tangible assets per share rose to S$1.66 from S$1.35.

Profit at HK hotels group falls 10%

By John Elliott in Hong Kong

HONGKONG and Shanghai Hotels, the luxury Peninsular hotel and property group controlled by the Kadoorie family, reported a 10 per cent drop in after-tax profits to HK$333m (US$42.72m) for the year ended December 31, compared with HK$370m in 1989.

Operating profits were 7 per cent up at HK$504m on turnover which rose 17 per cent to HK$1.72bn. The 1989 after-tax profits included HK$40m written back from excess pension provisions.

Profits were hit by high labour costs in Hong Kong and the closure for refurbishment of part of the Hong Kong Peninsular flagship hotel. Mr Hanmer Webb-Peploe, managing director, said this hotel continued to enjoy the highest average room rate in Hong Kong of HK$2,285 a night.

The company's shares attract little institutional attention because they have been approximately 70 per cent owned by Kadoorie interests since an aggressive takeover bid by Regal Hotels, controlled by Mr Y. S. Lo, a Hong Kong entrepreneur, was fought off late in 1988.

A final dividend is proposed of 11 cents, making an unchanged total of 17 cents.

Ashton advances 2.6%

By Kevin Brown in Sydney

ASHTON Mining, the Australian group which operates the world's largest diamond mine, yesterday announced a 2.6 per cent increase in net profit to A$32m (US$24.8m) for the year to March 12, on revenue up 14.5 per cent at A$226m.

Ashton said the net result took account of abnormal costs of A$12m. This reflected a provision for exploration and evaluation write-offs of A$21.5m, offset by a foreign exchange gain of A$9.5m.

The group said the Argyle mine in Western Australia produced 33.8m carats, maintaining its position as the world's biggest producer of diamonds by volume.

Ashton manages Argyle on behalf of the Argyle Diamond Mines Joint Venture, in which it has a 38 per cent stake. The group owns a further 2 per cent of the mine through the Western Australian Diamonds Trust.

Ashton's share of Argyle production was 13.6m carats, worth sales revenue of A$160m.

The group said gold production from its three mines in Western Australia increased by 23 per cent to 98,000 ounces, and "good progress" had been made in exploration in Indonesia.

The directors also said the group's financial position had been strengthened by a US$200m unsecured long-term loan facility, which had enabled the repayment of all previous loans. Drawdowns under the new facility totalled US$125m, but no repayments are required for five years, the group said.

Ashton said its interest in Argyle, together with rising gold production and its financial restructuring gave it a strong base for future profits. However, the group said short-term profitability remained subject to the impact of worldwide economic conditions on the diamond market.

The dividend was maintained at 7 cents per share, fully franked.

De Beers

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa) (Company Registration No. 11/00007/06)

De Beers Centenary AG
(Incorporated under the laws of Switzerland)

PROVISIONAL ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1990

The following are unaudited abridged financial statements for the year ended 31 December 1990 together with pro forma comparative figures for the year ended 31 December 1989

De Beers Consolidated Mines Limited
Consolidated Income Statement

	Rand millions 1990	1989 pro forma
Net income before taxation after taking into account inter alia:	826	924
Diamond account (1990: 166; 1989: 365)		
Investment income (1990: 499; 1989: 458)		
Interest received (1990: 461; 1989: 604)		
Prospecting and research (1990: 223; 1989: 264)		
Interest paid (1990: 22; 1989: 220)		
Taxation	265	257
Net income after taxation	561	667
Attributable to outside shareholders	7	10
Attributable earnings	554	657
Retained earnings of associated companies	922	985
Equity accounted earnings	1 476	1 642
Extraordinary items	411	1
Equity accounted earnings after extraordinary items	1 887	1 643
Retained as:		
Non-distributable reserves	1 480	1 026
Distributable reserves	148	379
Dividends on equity shares	259	238
	1 887	1 643
De Beers Consolidated equity shares in issue (millions)	380	380
Earnings per equity share before extraordinary items		
Excluding retained earnings of associates	146c	173c
Including retained earnings of associates	388c	432c
Dividends		
Per De Beers Consolidated equity share	68c	–

Consolidated Balance Sheet – 31 December 1990

	Rand millions 1990	1989 pro forma
Capital employed:		
Capital and share premium	801	792
Non-distributable reserves	5 669	4 326
Distributable reserves	3 954	3 792
	10 424	8 910
Outside shareholders' interests	55	50
Long- and medium-term liabilities	24	–
	10 503	8 960
Represented by:		
Fixed assets	1 000	740
Listed investments	6 404	4 975
Unlisted investments	632	419
Loans	642	174
Market value/directors' valuation of all investments and loans including trade investments R15 078 million (1989: R15 820 million)		
Diamond stocks	151	138
Stores and materials	141	118
Debtors	934	1 497
Cash	1 528	2 955
Current assets	2 462	4 452
Taxation	227	221
Dividends	161	828
Creditors	451	736
Bank borrowings	90	271
Current liabilities	929	2 056
Net current assets	1 533	2 396
	10 503	8 960

12 March 1991

For and on behalf of the board
J. Ogilvie Thompson
N. F. Oppenheimer *Directors*

Pro Forma Combined Results
Attributable to De Beers/Centenary Linked Units

Rand millions 1989	1990		US Dollar millions 1990	1989
3 843	3 172	Net income before taxation after taking into account inter alia:	1 237	1 512
2 958	2 335	Diamond account	911	1 164
518	581	Investment income	227	204
960	722	Interest received	282	378
271	292	Prospecting and research	114	107
300	91	Interest paid	36	119
807	652	Taxation	254	317
3 036	2 520	Net income after taxation	983	1 195
171	84	Attributable to outside shareholders	33	68
2 865	2 436	Attributable earnings	950	1 127
1 171	940	Retained earnings of associated companies	367	461
4 036	3 376	Equity accounted earnings	1 317	1 588
(10)	287	Extraordinary items	112	(4)
4 026	3 663	Equity accounted earnings after extraordinary items	1 429	1 584
		Retained as:		
1 202	1 020	Non-distributable reserves	398	473
1 760	1 559	Distributable reserves	608	693
1 064	1 084	Dividends on linked units	423	418
4 026	3 663		1 429	1 584
380	380	*De Beers/Centenary linked units in issue (millions)*	380	380
		Earnings per linked unit before extraordinary items		
754c	641c	Excluding retained earnings of associates	250c	296c
1 062c	888c	Including retained earnings of associates	347c	418c
		Dividends		
280.0c	68.0c	Per De Beers Consolidated equity share	26.5c	110.2c
–	217.3c	Per Centenary depositary receipt	84.8c	–
280.0c	285.3c	Per DeBeers/Centenary linked unit	111.3c	110.2c

Selected Pro Forma Combined Assets/Liabilities:

6 291	6 878	Diamond stocks	2 684	2 476
24 282	23 688	Market value/directors' valuation of all investments and loans including trade investments	6 988	6 811
2 322	2 051	Net current assets	801	914
8 664c	8 552c	Net asset value per De Beers/Centenary linked unit	2 744c	2 687c

NOTES

1. Following the rearrangement approved on 25 May 1990 the unaudited proforma combined results of the two groups are presented and pro forma comparative figures are shown by way of indication. The combined results as well as the comparatives have been compiled by adding the results of the De Beers Consolidated Group to those of the De Beers Centenary Group.
2. That portion of the De Beers Centenary Group's earnings attributable to De Beers Consolidated has been eliminated in the calculation of the combined results in order to arrive at the earnings attributable to the De Beers/Centenary linked units in issue.
3. A De Beers/Centenary linked unit comprises one equity share in De Beers Consolidated Mines Limited and one Centenary depositary receipt issued by Centenary Depositary AG. There were 380 054 352 linked units in issue at 31 December 1990 compared with 379 948 562 De Beers Consolidated shares in issue at 31 December 1989, the difference of 105 790 being shares issued in terms of The De Beers Employee Shareholder Scheme.
4. Dividends have been converted at the 31 December 1990 rates of exchange. These rates may be different from those which will prevail on the currency conversion date of 2 April 1991 which will be used to determine the actual payment scheduled for 29 May 1991.
5. Exchange rates:

	31.12.90	31.12.89
US$/commercial Rand	R2.56	R2.54
US$/financial Rand	R3.39	R3.57
US$/Swiss Franc	SFr 1.28	SFr 1.54
Swiss Franc/Rand	R2.00	R1.65

The conversions from US Dollar to Rand and vice versa have been effected at the commercial Rand rate except for investments and loans for which the financial Rand rate has been used.

COMMENTS

1. Diamond sales by the CSO in 1990 expressed in the currency of sale at US$4 167 million were two per cent higher than the previous year. Expressed in rand at sight rates averaging R2.5911 for the year (1989: R2.6092), sales increased by 1.2 per cent to R10 797 million. There was a 5.5 per cent average increase in the price of gem diamonds sold by the CSO effective from the March 1990 sight.
2. In addition to the exclusive contract with Glavalmazzoloto of the USSR signed during 1990, De Beers Centenary has concluded an agreement in principle with the Angolan State diamond company, Endiama, in terms of which the CSO will market the entire production of the Cuango region in Angola and De Beers Centenary will lend Endiama US$50 million to extend the alluvial production from Cuango.
3. The board of De Beers Consolidated has decided to make a further offer of 8 shares to those employees eligible to participate in The De Beers Employee Shareholder Scheme. The shares accepted in terms of this offer will be linked to the equivalent number of Centenary depositary receipts.

De Beers Centenary AG
Consolidated Income Statement

	US Dollar millions 1990	1989 pro forma
Net income before taxation after taking into account inter alia:	949	1 179
Diamond account (1990: 880; 1989: 1 051)		
Investment income (1990: 32; 1989: 24)		
Interest received (1990: 102; 1989: 140)		
Prospecting and research (1990: 27; 1989: 3)		
Interest paid (1990: 27; 1989: 32)		
Taxation	151	217
Net income after taxation	798	962
Attributable to outside shareholders	30	64
Attributable earnings	768	898
Retained earnings of associated companies	49	73
Equity accounted earnings	817	971
Extraordinary items	10	(4)
Equity accounted earnings after extraordinary items	827	967
Retained as:		
Non-distributable reserves	79	69
Distributable reserves	392	573
Dividends on Centenary depositary receipts	356	325
	827	967
Centenary depositary receipts in issue (millions)	420	420
Earnings per depositary receipt before extraordinary items		
Excluding retained earnings of associates	183c	214c
Including retained earnings of associates	195c	231c
Dividends		
Per Centenary depositary receipt	84.8c	–

Consolidated Balance Sheet – 31 December 1990

	US Dollar millions 1990	1989 pro forma
Capital employed:		
Capital and share premium	644	644
Non-distributable reserves	404	313
Distributable reserves	2 881	2 484
	3 929	3 441
Outside shareholders' interests	104	85
Long- and medium-term liabilities	1 051	244
	5 084	3 770
Represented by:		
Fixed assets	664	566
Listed investments	617	532
Unlisted investments	240	173
Loans	54	40
Market value/directors' valuation of all investments and loans including trade investments US$ 2 937 million (1989 US$2 724 million)		
Diamond stocks	2 625	2 421
Trade advance	600	–
Stores and materials	73	67
Debtors	727	251
Cash	567	590
Current assets	1 294	841
Taxation	30	82
Dividends	293	–
Creditors	740	769
Bank borrowings	20	19
Current liabilities	1 083	870
Net current assets	211	(29)
	5 084	3 770

12 March 1991

For and on behalf of the board
J. Ogilvie Thompson
N. F. Oppenheimer *Directors*

De Beers Consolidated Mines Limited
Head Office: 36 Stockdale Street, Kimberley, South Africa
London Secretaries: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ

Transfer Secretaries in respect of De Beers/Centenary linked units:
Consolidated Share Registrars Limited, 40 Commissioner Street, Johannesburg South Africa (P.O. Box 61051, Marshalltown 2107)
Barclays Registrars Limited, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

De Beers Centenary AG
Head Office: Langensandstrasse 27, CH-6000 Lucerne 14, Switzerland
London agent of Centenary Depositary AG: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ

INTERNATIONAL COMPANIES AND FINANCE

Giving Canada Packers the cure

Bernard Simon looks at Hillsdown Holdings' Canadian offshoot

HAVING given Canada Packers the most vigorous shake-up in its 64-year history, Britain's Hillsdown Holdings wants to broaden the horizons of the rejuvenated Toronto-based food processor.

A New York Stock Exchange listing, wider public shareholding and acquisitions in new and existing business areas are among the possibilities mentioned by Mr David Newton, the energetic Hillsdown director who took the helm at Canada Packers when the UK food, furniture and property company bought its 56 per cent stake last July.

For Hillsdown, the first fruits of that deal will emerge today, when both companies report 1990 results.

Before accounting for minorities, Canada Packers, which has absorbed Maple Leaf Mills, Hillsdown's existing Canadian subsidiary, is expected to make a maiden six-month contribution of about C$40m (US$34m) pre-tax. This is less than 10 per cent of the £195m (US$368m) which London analysts expect Hillsdown to report for the full year.

But Mr Newton, who has spent the past nine months giving Canada Packers the famed Hillsdown "turnaround treatment", has only just begun. He says: "We've got a critical mass now that's quite sizeable. That gives us the ability to do other things, but they won't be done overnight or in five minutes."

Recent moves indicate Mr Newton's gaze will largely be directed southwards. Canada Packers bought an Ontario pork processor last month to give itself the economies of scale needed to make its products more competitive in the US market.

All of Hillsdown's other

David Newton: mission in Toronto not complete

North American operations, which include fish, poultry, salads and food distribution interests in the US, already report to Mr Newton in Toronto. Canada Packers and its US sister companies are being encouraged to open up markets for their products across the border.

Canada Packers' ability to tackle new markets and new products has greatly improved since the Hillsdown takeover. By decentralising operations, emphasising cash management and unemotionally closing and selling unprofitable businesses, Hillsdown has brought an edge to Canada Packers which it never had as a stodgy, family-controlled concern.

"It's had passive management for the past six decades," says Mr Michael Palmer, analyst at Sanwa McCarthy Securities in Toronto. "With more active management, it could make some reasonable returns."

Mr Steve Germaise, of First Marathon Securities, forecasts that Canada Packers' return on equity could rise from a meagre 5.6 per cent in 1990 (based on continuing operations) to just over 10 per cent in 1992.

The whirlwind which Hillsdown unleashed last July is illustrated by the experience of one senior manager who recalls that his first task after the takeover was to draw up a memo setting out what parts of his job could be hived off to other people. Within a month or two, he had joined the exodus which has sliced head-office staff from 240 to 25.

Large chunks of the company are being cut loose. Dairy products and peanut butter have been sold. The edible oils division is on the block, as are the unprofitable remains of the company's former core, its beef slaughtering operations.

Getting out of beef will chop Canada Packers' annual revenues by almost a fifth to C$3.1bn. But it will also extricate the company from a glutted market where it has been outflanked by more efficient competitors. The economies of scale needed to compete in an increasingly integrated North American market are a vital element in the restructuring.

Hillsdown immediately merged Canada Packers with Maple Leaf Mills, the flour and baking company it bought from Canadian Pacific in 1987. It has subsequently proposed putting Maple Leaf's flour business into a joint venture with John Labatt, another large Canadian food and beverage group.

Similarly, Canada Packers is investigating a meat distribution joint venture with a leading competitor, JM Schneider. Both companies sell to many of the same supermarkets and restaurants, so pooling resources could add several million dollars to Canada Packers' bottom line. The process has not gone entirely smoothly. The milling venture with John Labatt, which will control about half the Canadian flour market, has yet to be cleared by Ottawa's anti-trust watchdog. The competition bureau has also challenged moves to merge Canada Packers' and Maple Leaf's meat rendering business in Ontario.

In general, Ottawa's restrictive supply management system for poultry and dairy products has left domestic food processors such as Canada Packers with much higher commodity costs than US companies.

While Mr Palmer of Sanwa McCarthy agrees Canada Packers "has a lot of potential", he notes that "there still are some major uncertainties".

The competition bureau's decision on the flour milling joint venture will have especially far-reaching implications for Canada's food industry as cross-border competition intensifies.

MR Newton, who spends about a week each month at home in Norwich, says his mission in Toronto is still not quite complete. For example, the future of a joint aquaculture venture with a Norwegian company is up in the air.

Canada Packers itself has yet to swallow its full dose of the Hillsdown medicine. Drawing a distinction between the "stewards" who used to run the company and the "entrepreneurs" favoured by Hillsdown, Mr Newton says further management changes will be needed to weed out the stewards who remain. "Some will decide for themselves, and in some cases, we'll have to decide for them," he adds.

Data General sells unit

By Stefan Wagstyl in Tokyo

OMRON, the Japanese maker of computerised control equipment, is to buy Nippon Data General, Japanese offshoot of Data General, the US computer company, for Y6.5bn ($47m).

Omron said yesterday the acquisition fitted into its strategy of expanding further into computers and communications technology. Nippon Data General would continue to be Data General's main distributor in Japan and would retain its name. It would co-operate with Omron in the development and sale of computer equipment in Japan.

Apart from the sales network, the attraction of Nippon Data General lies in its team of software development engineers who adapt software to the Japanese market.

Nippon Data General has been operating in its current form under the control of Data General since 1979. It employs 550 and its sales last year totalled Y14.6bn. It has offices throughout Japan and a factory near Tokyo.

Data General said the deal would result in a gain of about $13m and net cash proceeds of about $30m.

Square D in merger talks

By Barbara Durr in Chicago

SQUARE D, the Palatine, Illinois, electrical equipment manufacturer trying to thwart a hostile takeover by Groupe Schneider of France, revealed it was in discussions "with third parties" about possible joint ventures or mergers.

The company declined to identify the third parties, but speculation among analysts has consistently focused on Siemens of Germany, Asea Brown Boveri of Sweden and Hanson of Britain. Hanson declined to comment on the speculation.

A clear strategic objective of Square D has been to expand its European presence.

In a Securities and Exchange Commission filing, Square D said it was exploring possible joint ventures, mergers, leveraged buy-outs or reorganisations. It added it expected to begin talks with several banks to determine their interest in lending for these purposes.

Schneider initially offered $1.9bn, or $78 a share, which Square D rejected, stating it wanted to remain independent. Schneider then made a tender offer to all shareholders at the same per-share price.

Hershey Foods gains foothold in Europe

By Clay Harris

HERSHEY Foods, the largest US chocolate confectioner, is to gain its first European manufacturing foothold through the purchase of Gubor Schokoladen, a subsidiary of Bahlsen, the German biscuits group. The price was not disclosed.

Gubor, which specialises in pralines and seasonal chocolates, has annual sales of about DM100m ($65m).

Hershey makes only token sales in Europe through speciality outlets. It sold a 20 per cent stake in Marabou last year when the Swedish confectioner merged with Freia of Norway.

The US company said it was too early to say whether its products would be made at Gubor's plants in Munstertal and Mulheim and if it would introduce the Gubor range to the US.

● Rowntree Mackintosh is to launch an Italian range of boxed chocolates in the UK in September. Baci is the first existing Nestlé brand to be brought into the UK market since Rowntree was bought by the Swiss group in 1988.

Citicorp plays down credit card stake sale

CITICORP, the largest US banking group, said the $1bn sale of a 20 per cent stake in its credit card operations was not "a high probability", writes Alan Friedman in New York.

Mr Richard Braddock, Citicorp president, said discussions were still under way concerning the sale, but added: "I wouldn't assign a high probability to it."

Reports of the possible sale by Citicorp first emerged in mid-February. Mr Braddock stressed Citicorp had only previously mentioned the possibility of selling "up to 20 per cent" and market analysts had assumed this meant the full 20 per cent stake.

Mr Braddock added the bank might decide not to issue any more convertible preferred stock similar to the $1.2bn it has placed privately with Prince Alwaleed Bin Talal of Saudi Arabia ($590m) and with a pool of US and European institutional investors ($600m).

هكذا من الاصل

INTERNATIONAL CAPITAL MARKETS

Treasuries trade narrowly as the dollar slips back

By **Karen Zagor** in New York and **Tracy Corrigan** in London

US treasuries settled in a narrowly mixed range yesterday morning as the market paused amid uncertainty about the direction of the US econnmy after a spurt of volatility on Monday afternoon.

At mid-session, the treasury's benchmark 30-year bond was down ⅛ 96⅝, yielding 8.22 per cent, while the short end of the yield curve was unchanged through most of the morning.

The Federal Reserve refrained from operating in the open market yesterday morning.

With Fed funds changing hands at the Fed's perceived target for the rate of 6 per cent, there was no policy meaning attached to the lack of intervention.

The long end of the market was depressed by the deterioration in the dnllar fnllowing concerted central bank intervention. Bonds had moved higher on Monday on the back of the dollar's rally. At mid-session, the dollar was quoted at Y136.40 and DM1.5725, sharply below its level of Y138.20 and DM1.5815 late on Monday in New York.

There was also some disappointment that the Federal Reserve had not cut the discount rate on Monday.

The market was waiting for today's release of retail sales for February and early-March auto sales figures, which may give a cine of post-war consumer sentiment.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-30	-01/32	10.63	10.77	10.94
		9.000	03/00	93-07	-23/32	10.11	10.13	10.04
		9.000	10/08	92-18	-19/32	9.90	9.84	9.79
US TREASURY *		7.750	02/01	97-31	+03/32	8.05	8.09	7.81
		7.875	02/21	96-06	+03/32	8.22	8.25	8.00
JAPAN	No 119	4.800	6/99	88.4918	+0.372	8.99	7.00	8.68
	No 129	6.400	03/00	98.8407	+0.335	6.61	6.61	6.39
GERMANY		9.000	01/01	104.4000	+0.100	8.32	8.34	8.41
FRANCE	BTAN	8.000	02/96	99.5840	-0.039	9.10	9.22	9.49
	OAT	9.500	01/01	103.6400	+0.120	8.92	9.04	9.15
CANADA *		9.750	06/01	101.7750	+0.450	9.47	9.67	9.60
NETHERLANDS		8.500	03/01	99.4300	+0.190	8.59	8.62	8.58
AUSTRALIA		13.000	07/00	108.7748	+0.536	11.44	11.51	11.34
BELGIUM		10.000	08/00	105.2500	+0.100	9.12	9.04	9.06

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ACTIVITY in foreign exchange markets dominated traders' attention again yesterday as European bond markets mostly traded in a narrow range and in low volume.

The bund future on the London International Financial Fntures Exchange ended slightly higher, at 85.80, np from Monday's close of 85.63, tracking the US market, but the tone of the market remained rather weak. Dealers expect prices to continue to trade in a tight range over the next few days.

Meanwhile, the Bundesbank kept to fixed-rate repurchase agreements, indicating that it is not going to raise rates yet, analysts said.

The interest rate differential between French and German markets has narrowed still further to 59 basis points, having hovered around 70 basis points in February.

■PRICES in the UK gilts market slipped around half a point as traders reported profit-taking and some shifting of positions from long to short-dated stocks, possibly in the expectation of a further interest rate cut around the UK Chancellor of the Exchequer's budget.

The June gilt future on Liffe ended at 91⅞, down from 92⅛.

■JAPANESE government bonds also traded in a narrow range, with the No 129 benchmark issue quoted at a yield around 6.6 per cent during Far Eastern and European trading.

Kleinwort to sell stake in French broker

By **George Graham** in Paris

KLEINWORT Benson, the British merchant bank, is on the point of selling its 10 per cent stake in Fauchier-Magnan-Durant des Aulnois, one of the leading Paris stockbrokers still under family control.

Caisse des Dépôts, the French state financial institution, and Union des Assurances de Paris (UAP), the state-owned insurance company, are expected to increase their stakes in Fauchier-Magnan to 35.1 per cent and 15 per cent respectively.

This will leave the family and senior managers with a slight minority but still in control of the business.

Besides taking majority control of the stockbroker, known for its bine-blooded private client list, its international sales and its French block trading operations, the Caisse and the UAP are expected to give an explicit financial guarantee for Fauchier-Magnan's transactions.

Fauchier-Magnan is the latest in a series of French stockbrokers to have strengthened their capital backing in the wake of the collapse last summer of Tuffier, one of the most flamboyant of independent stockbrokers.

Many other independent firms then found that clients were relnctant to continue doing business with them unless they considerably strengthened their capital or found a leading bank or institution as backer.

"There was a general mistrust after Tuffier for all companies whose financial guarantee was not clear," said Mr Philippe Oddo, of brokers Oddo, which has boosted its equity base to FFr350m and which also numbers the Caisse, besides Assurances Générales de France (AGF), the second largest state insurance company, among its main shareholders.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on March 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	101¾		8.17
ALBERTA PROVINCE 9 3/8 95	600	103½	103⅞	+⅛	8.41
AUSTRIA 8 1/2 00	400	98⅝	99	+⅛	8.72
BANK OF TOKYO 8 3/8 96	100	98¼	98⅝		8.81
BELGIUM 9 1/8 92	400	101⅞	102¼	-⅛	7.79
BFCE 7 3/4 97	150	97½	97⅞	+⅛	8.30
BNP 8 5/8 94	300	101⅛	101⅝		8.20
BP CAPITAL 9 5/8 93	150	102½	103½	+⅛	8.08
CANADA 9 96	1000	103¼	103⅝	+⅛	8.17
CARCO 9 1/4 96	650	97¾	98	-⅛	9.78
CCCE 9 1/4 95	300	103½	103⅞		8.18
COUNCIL EUROPE 8 96	100	98⅛	98⅞	+⅛	8.37
CREDIT FONCIER 9 1/2 99	300	104⅜	104⅞	+⅛	8.71
DENMARK 0 98	250	53¾	54⅛	-½	8.75
DENMARK 8 1/4 99	150	100¼	100⅝		8.14
ECSC 8 1/4 96	193	99½	100		8.35
EEC 7 1/4 93	250	99⅜	99¾	+⅛	7.60
EIB 7 3/4 96	250	98⅛	98½	+⅛	8.18
EIB 9 1/4 97	600	103⅛	103½	+⅛	8.60
ELEC DE FRANCE 9 98	200	102⅛	102⅝	+⅛	8.58
EUROFIMA 9 1/4 96	100	102⅞	103¼	+⅛	8.55
EXPORT DEV CORP 9 1/2 98	150	104⅜	104⅞		8.65
FINLAND 7 7/8 97	200	96½	97⅛	+½	8.65
FINNISH EXPORT 9 3/8 95	200	103⅜	103¾	+⅛	8.44
FORD MOTOR CREDIT 9 1/2 93	300	101⅜	101⅞	-⅛	8.85
GEN ELEC CAPITAL 9 3/8 96	300	104	104⅛	+⅛	8.38
GMAC 9 1/8 96	200	100⅛	100⅝	+⅛	9.09
HALIFAX 9 1/2 93	200	102⅝	103⅛	+⅛	8.15
IBM WORLD TRADE 7 5/8 93	150	97¾	98½	-⅛	8.57
IND BK JAPAN FIN 7 7/8 97	200	95½	96	+⅛	8.86
INTER AMER DEV 7 5/8 96	200	96½	96⅞	+⅛	8.43
ITALY 8 1/2 99	1500	101¼	101½	+⅛	8.06
JAPAN DEV BK 8 99	150	100⅛	100⅝		7.94
KANSAI ELEC PWR 10 96	350	104⅝	105	+⅛	8.88
LTCB 8 5/8 93	150	100¾	101⅛		8.20
NEW ZEALAND 8 93	100	99¾	100⅛	+⅛	8.03
NIPPON CRED BK 9 3/4 93	150	103	103⅛		8.37
NIPPON TEL & TEL 9 3/8 95	200	103⅜	104	+⅛	8.34
NORDIC INV BANK 9 93	200	102⅝	102¾	+⅛	7.80
ONTARIO HYDRO 11 5/8 99	200	108⅛	109½		8.30
OSTER KONTROLLBANK 8 1/8 93	200	100⅞	101⅜		7.64
PETRO-CANADA 7 1/4 96	200	94⅜	95⅜		8.54
PRUDENTIAL RLTY SECS 0 99	365.216	49¾	50⅛	+⅛	9.31
QUEBEC HYDRO 9 3/4 98	150	103½	104⅛		9.07
QUEBEC PROV 9 98	200	100⅝	101⅛	-⅛	8.95
SAINSBURY 9 1/8 96	150	101½	101⅞	+⅛	8.75
SAS 10 99	200	97½	99	-1	10.47
SBAB 9 1/2 95	500	103½	104	+⅛	8.46
STATE BK STH AUST 9 1/4 93	100	101½	102⅜	-⅛	8.35
SUMITOMO BK CAP MKT 9 3/8 93	150	102¼	102⅝		8.37
SWEDEN 8 1/8 94	150	100	100½	+⅛	8.10
SWEDISH EXPORT 9 5/8 93	100	103¼	103⅜		7.76
TOKYO METROPOLIS 8 1/4 96	200	99	99½		8.46
WORLD BANK 8 3/8 99	1500	99⅜	99⅝	+⅛	8.66
WORLD BANK 8 3/4 97	1500	102¼	102½	+⅛	8.43
XEROX 95RPN 8 3/8 96	100	96½	97½	+2⅛	9.19

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	98⅛	98½		8.48
AUSTRIA 6 95	400	85⅝	85⅞	-2⅝	8.82
CNT 6 1/8 98	200	85	85¼	-⅛	8.91
CREDIT FONCIER 6 3/4 99	500	87½	87¾	-⅛	9.00
DEUTSCHE BK FIN 5 5/8 96	750	89⅛	89⅜	-⅛	8.24
EEC 5 3/8 93	300	94⅛	94½		8.77
EIB 6 1/8 96	300	88⅛	88⅜	-1⅜	9.02
EIB 6 7/8 95	300	94½	94⅞	+1⅜	8.33
EUROFIMA 6 1/4 98	400	87	87	-⅛	8.71
FELDMUEHLE FINANCE 8 99	200	98	98	+1	8.32
FERRO DEL STAT 5 3/8 93	500	94½	94⅞		8.72
IND BK JAPAN FIN 5 5/8 96	200	86⅛	86⅜	-½	8.96
INTER AMER DEV 7 1/4 99	300	92⅝	92⅞	-⅛	8.56
LUFTHANSA INT FIN 5 7/8 98	500	85⅝	85⅞	-⅛	8.64
QUEBEC HYDRO 6 3/4 99	300	89⅜	89⅝	+1⅜	8.63
SWEDEN 6 1/8 98	300	89⅛	89⅜		8.20
WORLD BANK 0 15	2000	17	17		7.42
WORLD BANK 5 3/4 96	300	87½	87⅞	-1⅜	8.96
WORLD BANK 7 1/8 95	500	94⅜	95	-1⅛	8.78

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	92	93¼	-½	6.74
AUSTRIA 4 5/8 98	100	95	91	-⅛	6.46
CRUJITSUYA 7 3/4 95	50	101½	102		7.33
COUNCIL EUROPE 4 3/4 98	250	90	90½		6.59
EEC 5 1/2 95	100	90½	91½	+1½	6.87
EIB 5 3/4 93	100	97¾		+⅛	6.69
ELEC DE FRANCE 7 1/4 06	100	104	104½		6.81
FINLAND 5 3/8 95	150	94⅛	95⅛	-⅛	6.72
GENERAL MOTORS 7 1/2 95	100	101½	102	+1	7.06
JAPAN DEV BK 5 1/2 94	195	96	97	-½	7.06
NEW ZEALAND 4 7/8 99	200	87½	88		6.99
QUEBEC HYDRO 5 08	100	80	81		7.05
SKANDINAVISKA ENSK 6 1/2 95	100	99½	195	+½	6.64
WORLD BANK 5 03	150	85	86½	-½	6.83
WORLD BANK 7 1/4 92	195	100	100½	-⅛	7.20

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94⅛	94⅝		6.99
CANADA 4 3/8 92	80000	96⅛	96⅜		7.30
CREDIT FONCIER 5 1/4 94	20000	94	99½		7.11
DENMARK 7 95	40000	100⅛	100⅝	+⅛	6.88
EIB 4 5/8 94	40000	95½	93¾		6.99
GENERAL ELECTRIC 5 3/4 93	35000	97⅛	97⅛		7.50
INTER AMER DEV 7 1/4 00	30000	102½	102⅞	+⅛	6.87
ITALY 5 3/4 92	150000	95⅛	99	+⅛	7.17
KANSAI ELEC PWR 4 5/8 94	60000	93⅛	93⅜		7.14
NIPPON TEL & TEL 5 7/8 96	50000	95⅜	96	+⅛	6.81
NORWAY 5 1/8 95	50000	93⅞	94⅛	+⅛	6.95
SWEDEN 5 5/8 95	20000	94⅞	95⅜	-⅛	6.97
WORLD BANK 6 3/4 95	50000	99⅜	100	+⅛	6.79

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	92⅛	93⅛		9.65
KREDIETCORP 7 93 LFr	1000	94½	95½		9.63
WORLD BANK 8 96 LFr	1000	95	96		9.26
AMRO BANK 6 1/4 92 Fl	150	95¾	96¼	+¾	9.52
RABOBANK 5 3/4 93 Fl	150	93¾	94½	+1⅛	9.37
ALBERTA PROVINCE 10 92 C$	500	99¾	100⅛		10.12
BCE INC 9 5/8 93 C$	300	98¼	99¼	+⅛	10.28
BELL CANADA 10 5/8 99 C$	150	101	101½	+⅛	10.42
BRITISH COLUMBIA 9 1/4 93 C$	150	98½	99		10.12
EIB 10 1/8 98 C$	130	100⅝	101⅛		10.00
FORD CREDIT CANADA 10 94 C$	100	98	98½		10.68
GENERAL ELECT CAP 10 1/4 93 C$	175	101⅛	101⅞	+⅛	9.62
MONTREAL TRUSTCO 8 1/2 92 C$	100	97½	98⅛	+⅛	10.87
ONTARIO HYDRO 10 7/8 99 C$	500	102⅛	102½		10.47
QUEBEC PROV 10 1/2 98 C$	200	100⅝	100⅞	+⅛	10.41
ROYAL TRUSTCO 10 1/4 93 C$	100	99⅛	99⅝	+⅛	10.67
SWEDEN 9 3/4 93 C$	250	99¾	195¼		9.85
BELGIUM 9 1/8 96 Ecu	1250	100	100⅛	+⅛	9.13
CNT 7 3/8 95 Ecu	250	94⅛	95⅛	-⅛	10.34
CREDIT LYONNAIS 9 96 Ecu	125	96	98	-⅛	10.01
DENMARK 7 5/8 96 Ecu	250	95⅜	91⅛	-½	10.05
EEC 7 5/8 99 Ecu	200	95⅛	96¼	-⅛	9.33
EIB 10 97 Ecu	1125	104⅛	104⅝	+⅛	9.01
ITALY 10 3/4 00 Ecu	1000	108⅞	109⅛	+⅛	9.26
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅞	100		9.14
BMW FINANCE 14 1/2 92 A$	100	101⅞	102⅛	-⅛	12.50
COUNCIL EUROPE 13 93 A$	50	101	102		12.38
EKSPORTFINANS 12 3/8 95 A$	75	102⅛	102⅞		11.59
FORD CRED AUST 13 93 A$	50	195⅛	100⅝	+⅛	12.92
ICI 13 1/2 92 A$	100	103⅛	103⅞	-⅛	12.44
MCDONALDS CANADA 15 95 A$	100	107⅛	107⅞	+⅛	12.65
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106⅛	106⅞	+⅛	12.01
STATE BK NSW 14 1/4 99 A$	100	107⅛	108⅛	+⅛	12.67
VOLKSWAGEN INTL 15 94 A$	100	106⅛	106⅞	+⅛	12.42
ABBEY NATL TREAS 13 3/8 95 £	100	106½	107	+⅛	11.24
BARCLAYS JERSEY 9 1/2 93 £	250	96⅛	97	+⅛	11.41
BRITISH GAS 12 3/4 95 £	150	105⅜	106⅛		10.86
DEUTSCHE BK FIN 11 94 £	225	100⅜	100⅞		10.81
EIB 10 97 £	300	96⅞	97⅛	-⅛	10.73
FORD CREDIT FUNDING 9 5/8 93 £	50	95⅛	95⅜	+⅛	12.31
INTER AMER DEV 11 3/8 95 £	75	102⅛	102⅞	-⅛	10.65
ITALY 10 1/2 14 £	400	94⅝	94⅞		11.13
LAND SECS 9 1/2 07 £	200	80⅛	81⅛	-½	12.29
LEEDS PERMANENT 9 1/4 93 £	50	95⅛	95⅞	+⅛	11.70
NORWAY 10 1/2 94 £	200	99⅛	99⅝		10.80
ROLLS-ROYCE 9 5/8 93 £	150	95⅝	96⅛	+⅛	11.85
SAINSBURY 10 7/8 93 £	195	99	99⅛	+⅛	11.46
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅛	105⅞	+⅛	11.35
WORLD BANK 11 1/4 95 £	100	102	102½		10.61
ABBEY NATIONAL 0 96 NZ$	100	51⅞	52⅜		12.58
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	102	103		12.07
AIDC 7 7/8 93 FFr	600	96⅛	96½	-⅛	9.62
CREDIT LYONNAIS 10 95 FFr	2000	101⅝	102	+⅛	9.49
EURATOM 7 5/8 98 FFr	500	91⅛	91⅞	+⅛	9.32

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 95	500	99.99	100.12	7.5938
ALLIANCE & LEICS 0.08 99£	300	99.38	99.45	14.1425
BAN95 ROMA 0.03 01	200	91.13	92.38	7.9363
BANCO SANTO SPIRITO 93	200	99.51	99.61	8.4375
BELGIUM 1/16 97 DM	500	99.98	100.09	9.1250
BFCE -0.02 96	350	100.01	100.11	7.7925
BNP 05	300	97.40	97.50	7.4375
BRITANNIA 1/10 96 £	150	98.85	95.95	14.1625
CCCE 06 ECU	200	99.96	100.06	9.4435
CITIZENS FED 0.15 96	100	99.10	99.50	7.0250
COMMERZBK O/S FIN 93	200	99.63	99.73	6.5625
DENMARK -1/8 96	1000	99.22	99.32	6.5938
DRESDNER FINANCE 1/32 95 DM	1000	99.67	99.81	9.2188
ELEC DE FRANCE 1/8 99	400	99.88	100.44	7.0000
FERRO DEL STAT 94	200	100.41	100.56	6.8750
HALIFAX 1/10 94 £	200	99.77	99.84	13.6000
HILL SAMUEL 1/4 PERP	75	82.00	85.00	8.5000
MITSUI FIN ASIA 1/8 96	100	99.22	99.32	7.0000
MORGAN (JP) 1/4 97	250	97.75	98.50	7.0625
NAT WEST FIN 3/16 06	400	92.00	93.00	8.3125
NEW ZEALAND 93	500	99.65	99.78	6.5000
QUEBEC PROV 01	300	96.94	97.12	8.1250
RENFE 98	500	99.94	100.05	7.8750
SOCIETE GENERALE 96	300	99.09	99.19	8.0000
STATE BK VICTORIA 0.05 99	125	98.15	98.40	7.8625
UNITED KINGDOM -1/8 96	4000	100.95	100.07	7.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	111⅛	112⅛	+15.43
ASDA-MFI 4 3/4 02 £	100	1.64	115	116	+36.67
BURTON GROUP 4 3/4 01 £	110	3.15	115⅛	117⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	101⅞	102⅛	+13.31
GOLD KALGOORLIE 7 1/2 00	65	1.0554	58⅛	59⅛	+27.31
GOODYEAR TIRE 6 7/8 03	150	80⅛	65½	67	
GRACE (WR) 6 1/4 02	150	42⅛	88⅛	89⅛	+24.96
GRAND MET 6 1/4 02 £	100	6.58	117	118⅛	-0.15
HAWLEY 6 02 PREF	400	1.91	98⅜	100⅛	+37.50
HILLSDOWN 4 1/2 02 £	150	4.16	107⅛	108⅛	+83.39
INTL PAPER 5 3/4 02	200	68⅛	98⅛	99⅛	+9.43
LAND SECS 6 3/4 02 £	84	6.72	92⅛	93½	+14.48
MITSUBISHI BK 1 3/4 02	300	2727.1	93½	95½	-0.46
OGDEN 6 02	85	39.077	73	74	+40.87
PACIFIC DUNLOP 6 3/4 97	75	3.749	109⅝	110⅝	+1.56
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	82	83	+58.50
THORN EMI 5 3/4 04 £	103	7.45	112⅛	113⅛	+11.40

* No information available – previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Lawyer warns of Kuwait loan pitfalls

By **Stephen Fidler**, Euromarkets Correspondent

BANKS lending to Kuwait should be careful not to fall prey to the pitfalls suffered by bank lenders for projects in Saudi Arabia in the 1980s, according to a London lawyer.

Mr Stephen Parish, of Norton Rose, a law firm heavily involved in the drafting of legal documentation for loan contracts, says banks suffered losses because of misconceptions on loans to contractors involved in the development of Saudi Arabia's infrastructure.

These misconceptions often arose in the financing of projects such as schools, universities, hospitals or roads which were not income-producing. The viability of financing the projects was seen by the banks concerned as the financial standing of the employer, which was usually a ministry.

There were usually three parts to these financings: banks would issue an advance payment guarantee and performance bond in favour of the employer; a letter of credit to import the relevant materials, and a working capital facility to enable the contractor to finance short-term working capital requirements. Often the only security taken by banks was a charge over the contract proceeds payable by the employer, on the flawed argument that the creditworthiness of the employer made further protection unnecessary.

However, Mr Parish points out in a paper that banks should have obtained parent company guarantees in the case of a joint venture contractor or security from a local contractor, preferably in a jurisdiction where that security could be easily enforced.

Banks should also monitor the progress on the contract more carefully than they did in Saudi Arabia, where they were often advancing funds at a time when substantial disputes were going on between contractor and employer.

"Even more disastrously," he says, "contractors were occasionally able to finance their performance of one contract with financing facilities made available in an entirely separate contract." By the time banks put in their own independent consultants the facilities were often in default.

Banks should also seek to impose further restrictions on the nature of the security they are willing to take: banks should insist on greater balances being built up into the assigned accounts used as security.

However, the paper suggests banks involved in financing the Kuwaiti reconstruction will have some advantages because Kuwait's system of commercial law is more sophisticated than Saudi Arabia's. Kuwait's commercial law is less influenced by the Islamic Sharia law and Kuwait's courts have been willing to enforce payment of interest, although there are limits on interest rates on loans made in Kuwaiti dinars.

In addition, the taking and enforcement of security in Kuwait is easier than in Saudi Arabia. Finally, Mr Parish says the Kuwaiti government will be eager to facilitate the rapid rebuilding of the country and would not be prepared to see delays arising because of reluctance on the part of bankers to provide finance.

Poland sets date for trading of privatised shares

By **Christopher Bobinski** in Warsaw

TRADING in shares of Poland's first five privatised companies is due to start on April 16, government officials announced yesterday.

The Warsaw Stock Exchange is to hold weekly sessions thereafter until its official opening in June. Regulations for the securities market are close to being accepted by parliament. A further seven Polish companies are due to be privatised over the next few months as business on the exchange should pick up.

In the final stages Polish banks are to act as brokers registered by the exchange which is modelled on the Lyons bourse with advice from Eurogroup, the French consultants.

Share price movements on the exchange are to be held within a 20 per cent band of the opening price at each session to avoid the risk of spectacular losses and gains.

Of the initial five share offers, only one – Exbud, the building group – saw strong demand. The four other issues had to be bolstered by banks and other institutional investors in their final stages.

Broking fees on the Warsaw exchange are to be fixed at no more than 2 per cent of the transaction.

INTERNATIONAL CAPITAL MARKETS

Borrowers rush to tap newly opened Paris market

By Tracy Corrigan

MORE than a dozen European borrowers are preparing to tap the French *billets de trésorerie* market, opened to foreign borrowers last month.

The liberalisation of the French equivalent of a commercial paper market allows foreign companies to have access to French franc money markets for the first time.

Outstandings in the BT market currently total FFr174bn, according to Ms Martine Billeaud, who is in charge of domestic money markets at Banque Nationale de Paris. It is dwarfed by the certificates of deposit market, open to financial institutions, which totals more than FFr1,000bn.

A ministerial decree came into force on February 1, empowering foreign companies, other than financial institutions, to issue such paper. Borrowers are now in the process of gaining approval – said to be a formality – from the Commission des Opérations de Bourse (COB) and the Banque de France, and the first programmes are expected to emerge in the next week or so.

The initial body of issuers consists of large, north European companies with strong credit ratings, many of which have French subsidiaries, bankers say. In the existing market, around 20 of the strongest French companies account for 70 per cent of the market, and this trend is likely to be repeated.

In order to ensure adequate liquidity, the minimum size for a programme should be around FFr1bn, according to Mr Bernard Mignucci, a director of treasury at Crédit Lyonnais. He points out that the existing market is already a deep one: some borrowers having outstandings of more than FFr10bn.

Although BTs can have a maturity from 10 days to seven years, most have a life of one, three or six months.

The existing investor base for the market, consisting mainly of the French mutual funds known as Sicav's, is an expanding one, which should be able absorb any increase in issuance. "French investors will be greedy for this type of paper and keen to diversify," said Ms Billeaud.

Before the opening of this market, companies wishing to raise short-term floating-rate funds in francs had to issue commercial paper in another market and swap the proceeds into francs. The new market is expected to provide a cheaper means of financing. Mr Mignucci estimates that a triple-A rated borrower would pay around the Paris interbank bid rate (Pibid) for funds in the BT market.

Arig Insurance sets up London subsidiary

By Richard Lapper

ARIG Insurance Group, the Bahrain-based insurer and reinsurer, is to set up a £25m subsidiary, Arig Insurance Company, to operate in the London market.

The new venture is the first step in an ambitious strategy by Arig to establish a network of European and North American operations. Currently, Arig has offices in Hong Kong and Tunis, but is otherwise confined to operations across the Middle East.

Arig's presence in the London market should also help the company to win insurance business generated by the Kuwait reconstruction programme.

The company aims to specialise in the underwriting engineering, industrial, marine, aviation, and bankers' blanket bond insurances.

Mr Loay Al Naqib, the new company's chief executive, expects Arig to earn premium income of £7m in 1991, £15m in 1992 and between £25m and £28m in 1993.

Barclays to raise core capital on Wall Street

By Simon London

BARCLAYS BANK is planning to raise core capital in the US market for the fourth time since 1989 with a $200m issue of perpetual preference shares via Lehman Brothers.

The issue will count as Tier I capital for Barclays under the Basle accord on international bank capital adequacy. Under the Basle guidelines, perpetual, non-cumulative – meaning that missed dividend payments do not mount up for payment at a later date – preference shares are the only Tier I alternative to common stock.

If the deal proceeds as planned it will provide further evidence that the US market is receptive to new issues of preference shares by banks for the first time in nine months. Last week, Lehman Brothers launched a $200m preference share issue for Security Pacific.

The last issue of perpetual preference shares in the US by an overseas bank was made by Barclays itself in June 1989. Since then US investors have been shy of both preference shares and subordinated bonds issued by banks.

Before the market closed a number of overseas banks hungry for capital, including Royal Bank of Scotland, Allied Irish Banks and Westpac, had issued preference shares in the US.

However, Barclays has seen its cost of capital rise since its first issue of US preference shares, which pays a dividend of 10⅜ per cent. This latest deal carries an indicated fixed dividend of 11⅜ to 11½ per cent.

Last month, Barclay's had its credit rating lowered from Triple-A to AA1 by Standard & Poor's, the US credit rating agency.

In addition, earlier preference share issues were targeted at retail investors whereas approximately half of this issue will be placed with institutional investors.

According to Mr Brian Worsley, assistant treasurer, Barclays now has $925m of preference shares issued in the US, approaching 10 per cent of its core capital resources.

Euroquote charts an ambitious course

Richard Waters on moves by European stock exchanges to a unified trading system

THE development of a Europe-wide share trading system took a step forward this week with the appointment of a contractor to build the infrastructure on which the system could be based. But agreement between national stock exchanges in the EC, without which the idea will be still-born, looks some way off.

The board of Euroquote, the joint-venture company set up to construct the new system, agreed at a meeting in Brussels on Monday to ask General Electric Information Systems (GEIS), a subsidiary of the giant US electrical utility, to develop a price-dissemination system for the 12 EC stock markets. GEIS won in competition with Quotron, a subsidiary of Citicorp, after an 18-month competition between information services companies.

The choice of GEIS appears to signal an important strategic decision by the stock exchanges that own Euroquote: that they do not want to go into competition with commercial quote vendors, which make their living out of selling share price information. Choosing Quotron, one of the biggest quote vendors, would have suggested they were aligning themselves with one commercial supplier at the expense of others, such as Reuters.

GEIS's job will be to collect share prices and company news from the 12 EC exchanges, combine the information and pump it out again as an electronic feed for subscribers. The basic infrastructure used to do this could in time provide the framework for a full-scale trading system.

The basic technology for the system has already been agreed. The information will be fed through GEIS's Netherlands-based computer centre, fired off a satellite, and received by subscribers through a two-way satellite dish (the ability to send as well as receive messages is essential if Euroquote ever develops into a full trading system). Users would be able to take the service direct or subscribe through one of the third-party information companies which could subscribe to Euroquote.

There is a long way to go. For a start, much of the information needed to feed the pan-European system does not yet exist in a form that is compatible with the system. Of the 12 exchanges, two – Greece and Portugal – do not supply share prices in the form of an electronic feed and so cannot be harnessed to the system.

More importantly, the exchanges produce little company news that is in a form that can be fed into Euroquote. London's International Stock Exchange is unique in its Regulatory News Service, a supply of price-sensitive company information which companies disseminate through the exchange as a condition of their listing agreement.

Market research has shown that potential users of Euroquote want company news, rather than share prices. But the system will be able to give little fresh news, and will rely to a large degree on existing third-party news services.

Apart from these considerations, there are still significant disagreements about what the 12 exchanges want Euroquote to be. If it remained a low value-added service for combining existing information feeds into one format, there would be little justification for the initial infrastructure costs. It is what Euroquote could become that raises the interesting questions. The options are:

- Adding value as an information supplier. For instance, the GEIS computer could format the share price information it processes into pages ready to be received by subscribers, or it could use the information to calculate an index of European stocks. That could take it into competition with individual exchanges and information companies.
- Developing a full trading system. This is the planned second stage of Euroquote, but one which has yet to be agreed by its members. Talk of a trading system cannot move further until the EC exchanges have agreed what sort of Europe-wide market investors want – something that is likely to take some time.
- Integrating Euroquote with a settlement system, to take the cost and complexity out of settling cross-border share transactions. Euroquote has already held discussions with international clearing houses on this question, though any agreement is likely to be many months, or even years, away.

Part of Euroquote's concern is to maintain competitive settlement arrangements, rather than to throw its lot in with just one of the existing settlement houses (Euroclear and Cedel). Much would depend on links between clearing houses to allow investors to move holdings easily between them.

In each of these areas, Euroquote is following a single strategy: to centralise the provision of services, benefiting from economies of scale (which can be passed on to users). However, the strategy brings it into conflict with leading shareholders: exchanges which themselves have sunk considerable cost in information, trading and settlement systems and may not want to see much of their business migrate to a new, supra-national market.

Euroquote's ambitions will be tested soon. Its shareholders are due to meet by the end of next month to agree on its business plan. More importantly, they will be asked to agree to put up the capital to build the system. That meeting will demonstrate, after all the talking, whether Euroquote will ever see the light of day.

Goldman Sachs to bring stripping to Euromarket

By Simon London

GOLDMAN Sachs plans to launch Ecu570m of zero-coupon notes in the international bond market this morning, based on a Ecu200m holding of 20-year bonds issued by Italy last month.

The process, known as "stripping" in bond market terminology, is common in the US treasury market but has been rarely tried in public in the international bond market.

Goldman has acquired Ecu200m of bonds in the open market since the Ecu2.5bn Italy deal was launched last month. Today it plans to launch 21 tranches of zero-coupon bonds with maturities ranging from one year to 20 years. All but one of the tranches will have a nominal value of Ecu18.5m and will be repaid from the coupon payments on the Italy bonds.

The final 20-year tranche will have a nominal value of Ecu200m. The maturity payments will be met from the maturity of the Italy bonds held by Goldman Sachs.

The zero-coupon bonds have been largely pre-placed with European institutional investors, although Goldman said it expects interest from European retail investors in the shorter maturity zero-coupon bonds.

The issue will offer investors geared exposure to the Ecu sector of the international bond market, as the zero-coupon notes will be deeply discounted to their nominal value.

Pricing of the bonds will be difficult for Goldman since there are few Ecu-denominated zero-coupon bonds in the market. The biggest zero-coupon deal was a Ecu1bn deal launched by Italy itself late last year. However, this transaction will create an Ecu zero-coupon yield curve up to 20 years.

INTERNATIONAL BONDS

Elsewhere, the market was quiet and dominated by convertible and equity linked transactions.

Chiquita Brands, the US fruit distribution company, launched $100m of convertible bonds, later increased to $120m, lead managed by Warburg Securities. The paper carries a coupon of 7 per cent and is convertible into Chiquita stock at a premium of 15 per cent to yesterday's share price. In New York, Chiquita Brands shares yield just over 1 per cent.

The bonds traded at around the issue price of par yesterday. Warburg handled the European tranches of two equity issues by Chiquita last year. The company estimates that around 40 per cent of the equity issued last year is in the hands of European investors.

Three equity warrant deals by Japanese companies totalling $450m performed strongly, reflecting renewed confidence of investors in the prospects for the Tokyo stock market.

Buying interest in equity warrant deals also reflects the slow supply of new paper in recent weeks.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hankyu Dept.Stores(a)♦	200	(4⅜)	100	1996	2¼/1½	Daiwa Europe
Okamura Corp(a)♦	150	4	100	1995	2¼/1½	Nomura Int.
Chiquita Brands Int.(b)‡†	120	7	100	2001	2½/1½	SG Warburg Secs.
Yamamura Glass Co.(a)♦	100	4	100	1995	2¼/1½	Yamaichi Int.
Sunkyong Industries(c)‡†	50	(c)	100	1996	2⅛/1	Manufacturers Hanover
CANADIAN DOLLARS						
Finnish Export Credit(a)†	150	10⅛	101.85	1995	1⅞/1.475	Bankers Trust Int.
NEW ZEALAND DOLLARS						
Banque Nationale d'Paris(a)†	60	12	101⅛	1996	2/1⅛	Hambros Bank
YEN						
Mitsubishi Rayon Co.(d)★★†	10bn	(d)	100	1996	1⅞/1¼	Nikko Secs.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Tuesday March 12 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Mar 11 Index No.	Fri Mar 8 Index No.	Thu Mar 7 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (188)	866.32	-0.4	12.16	5.56	10.02	3.33	869.42	867.57	866.08	848.08
2 Building Materials (24)	1112.26	[illegible]	12.18	5.24	10.09	1.12	1116.73	1160.27	1159.92	1029.98
3 Contracting, Construction (31)	1416.03	-0.4	12.41	5.55	10.14	5.42	1418.42	1403.41	1402.14	1396.35
4 Electricals (10)	2315.16	-0.7	11.76	5.76	10.37	2.49	2331.45	2338.56	2342.41	2421.01
5 Electronics (26)	1905.22	+0.3	8.29	4.67	16.04	2.04	1899.06	1883.54	1867.55	1800.29
6 Engineering-Aerospace (8)	429.51	-1.4	16.04	5.66	7.50	8.86	435.94	434.12	[illegible]	422.83
7 Engineering-General (47)	453.84	-0.4	13.14	5.73	9.14	2.48	455.49	451.88	448.35	461.70
8 Metals and Metal Forming (8)	491.08	-0.1	18.58	7.03	6.64	0.59	492.73	[illegible]	476.14	472.62
9 Motors (13)	348.40	-2.2	12.94	6.88	9.18	3.06	356.08	358.47	354.97	353.52
10 Other Industrial Materials (21)	1484.23	-0.6	10.98	5.48	10.54	3.93	1493.56	1491.73	1505.20	1564.05
21 CONSUMER GROUP (182)	1434.58	+0.1	8.70	3.73	14.27	6.02	1413.63	1400.26	1390.74	1202.91
22 Brewers and Distillers	1767.80	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing	1166.00	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing	2639.47	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household	3019.45	-2.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Hotels and Leisure	1373.47	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 Media	1449.13	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper	656.60	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores	898.95	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles	597.38	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS	1184.09	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Business Services	1176.47	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (21)	1245.07	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (11)	1547.50	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport (15)	2168.39	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Electricity (12)	1174.65	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks (3)	1340.36	-1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water (10)	2510.40	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	1881.61	-1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	1212.07	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (20)	2430.29	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	1314.60	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (98)	828.32	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	899.78	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (7)	1496.43	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (6)	715.38	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (8)	1124.30	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (7)	441.82	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (41)	1066.96	+1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (20)	290.83	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (69)	1208.17	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (667)	1195.72	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5	Year ago
FT-SE 100 SHARE INDEX♦	2454.8	-4.3	2463.4	2445.1	2459.1	2455.0	2437.7	2459.9	2420.1	2224.5

FIXED INTEREST

PRICE INDICES	Tue Mar 12	Day's change %	Mon Mar 11	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.09	-0.03	121.13	1.83	2.26
2 5-15 years (21)	131.40	-0.27	132.07	1.83	3.01
3 Over 15 years (8)	137.21	-0.63	138.08	0.46	4.05
4 Irredeemables (6)	153.63	-0.23	153.99	2.60	1.50
5 All stocks (73)	130.29	-0.22	130.76	1.75	2.85
Index-Linked					
6 Up to 5 years (2)	158.78	+0.04	158.73	0.34	1.03
7 Over 5 years (10)	144.69	-0.21	145.00	0.42	1.16
8 All stocks (12)	145.63	-0.19	145.91	0.41	1.15
9 Debs & Loans (54)	109.70	+0.05	109.64	1.91	2.43

AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 12	Mon Mar 11	Year ago (approx.)
British Government				
1 Low	5 years	9.36	9.30	11.60
2 Coupons	15 years	9.69	9.61	11.29
3 (0%-7¾%)	25 years	9.85	9.78	11.18
4 Medium	5 years	10.16	10.11	13.00
5 Coupons	15 years	10.09	10.03	11.73
6 (8%-10¾%)	25 years	10.05	9.98	11.27
7 High	5 years	10.39	10.31	13.10
8 Coupons	15 years	10.27	10.20	12.02
9 (11%-)	25 years	10.23	10.14	11.52
10 Irredeemables		10.01	9.99	11.20
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.73	3.74	4.72
12 Inflation rate 5%	Over 5 yrs	4.16	4.14	4.41
13 Inflation rate 10%	Up to 5yrs	2.35	2.35	3.82
14 Inflation rate 10%	Over 5 yrs	3.98	3.96	3.94
15 Debs &	5 years	11.87	11.87	15.77
16 Loans	15 years	11.62	11.62	14.13
17	25 years	11.40	11.40	13.39

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	71	13
Corporations, Dominion and Foreign Bonds	0	5	16
Industrials	399	273	882
Financial and Properties	172	116	459
Oils	18	26	48
Plantations	1	1	8
Mines	32	35	96
Others	67	45	45
Totals	691	572	1,567

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

- First Dealings: March 4
- Last Dealings: March 15
- Last Declarations: June 13
- For settlement: June 24

For rate indications see end of London Share Service

Calls in Amstrad, Aviva Pet., Brent Walker, Control Secs., Ferranti, Goodwin, Next, NSM, Oceonics, Platignum, Saatchi & Saatchi, Speyhawk, Tallow Oil, Tusker Res., S.W. Wood and WPP. Puts in Control Secs. and Tallow. Puts and calls in Hunterprint and Next.

LONDON TRADED OPTIONS

MANAGEMENT EDUCATION & DEVELOPMENT

FT SURVEYS

UK COMPANY NEWS

Glynwed meets expectations with 25% fall

By Paul Cheeseright, Midlands Correspondent

GLYNWED International, the Birmingham-based engineering group engaged in metals and plastics processing, is maintaining its dividend in spite of a near-25 per cent fall in pre-tax profits.

At £70.3m, the outcome for 1990 was broadly in line with market expectations although it compared with £93.3m in 1989 and was the lowest since 1987. Earnings per share slid likewise, from 30.66p to 23.38p. Return on capital fell from 41.8 per cent to 26 per cent.

The proposed final dividend is 7.5p, bringing total payments for the yearto an unchanged 11.55p. The decision to hold payments at the 1989 level meant that dividend cover was reduced from 2.6 to 2, the thinnest cover since the 1980s recession.

Of Glynwed's six operating divisiona – consumer and building products, metal servicea, plastics, ateels and engineering, tubes and fittings and properties – only plastics reported higher profits.

Three of the six had lower turnover. Mr Gareth Davies, chairman, offered shareholders little solace for the current year, observing that it was difficult to give a clear indication of prospects.

"The UK economic environment continues to deteriorate and it is now evident that trading activity in the first half of the current year will be extremely difficult. Any improvement in the second half will depend on the degree and pace of fall in interest rates," he stated.

Overall, turnover dropped from £1.13bn to £1.1bn. Operating profit as a percentage of turnover fell back to 8, which was last seen in the mid-1980s.

Interest charges climbed from £12m to £17.5m while net borrowings rose from £84m to £92.3m. But, because of a property revaluation, the debt-eqnity ratio reduced from 45.6 per cent to 41.1 per cent.

● COMMENT

Glynwed is having a rough time with its consumer and building products, its steels and tubes and fittings. It is thankful to be in plastics and engineering as well. The UK markets hurt the worst and will continue to do so until interest rates are considerably lower. Apart from trimming borrowing costs, further falls might put some spring back into demand but the effects of that are not likely to be felt until 1992. Granted that this year Glynwed should have lower development costs on its new copper tube mill and with any luck should avoid further costs on redundancies, it is unlikely that 1991 earnings will reach those of 1990. Even after yesterday's fall, the share price at 264p looked chirpy, bnt if 1991 earnings sink to about 18p per share, that would give a prospective p/e of 14.6, giving a premium over the sector that looks unwarranted.

Ashley Ashwood

Gareth Davies: offering little solace for the present year

Finding a new bellwether for British industry

Charles Leadbeater analyses the performance of Glynwed as the recession deepens

BRITAIN HAS fallen into recession with markets falling like a line of dominoes. It started with consumer goods, went through the construction markets and is about to hit capital equipment makers. There is no sign that the dominoes are about to be lifted back into place.

That was the picture of the Britiah economy which emerged yeaterday from Glynwed International's results. With ICI keen to drop its unofficial title as the industrial bellwether of the British economy following its internationalisation in recent years, Glynwed would be a worthy successor.

It makes more of its sales in the UK, 70 per cent, than many comparable engineering groups such as IMI, GKN or TI. It serves a wide range of markets including consumer products, housing, commercial property, automotive makers and capital equipment makers. Its business has been able to track the recession like a wave slowly moving across its divisions.

Glynwed's performance in the recession, including when it spots the bottom and the first signs of an upturn will be a reasonably good guide to the movement of the economic cycle as a whole.

Mr Gareth Davies, the chairman reported that the downturn had begun with white goods in the autumn of 1988. It spread to home improvement markets and housing by mid-1989. Steel demand began to fall in mid-1990 when non housing construction also began to turn down.

The downturn is not over. Glynwed expects steel consumption this year to be about 6 per cent lower, after an 8 per cent fall last year. With manufacturers cutting investment, capital goods equipment makers are about to feel the pinch.

One of the most important questions is how long higher car exports can make up for the fall in UK registrations this year. By the time these markets go into recession, the housing market may be showing the first signs of coming to life, according to Mr Davies.

All markets, industrial and consumer, gas cookers, cast iron huilding producte and sinka, took a beating in November and December last year. to be 30 per cent below the peak of 1987-88. About 5-10 percentage points of that fall was due to destocking by manufacturers.

The only Glynwed markets to have held up were for infrastructure apending by the water and gas utilities.

On the date for the upturn Mr Davies says: "There is a good argument for the late antumn, with interest rates falling, the house price to income ratio improved, lower inflation and the end of destocking."

But because some sectors late in the cycle will be still in recession it will usher in a period of low growth. It is likely to take perhaps three years to get back to levels of demand seen in 1987 and 1988.

The recession will leave a permanent mark upon Glynwed. The management has embarked on a thorough review of every husinese to reshape the group focussed on its core elemeots.

He would not be drawn on what might be sold. But it is unlikely to be the plastic division which has grown from pre-tax profit of £250,000 in 1980 to £24.5m last year. Building products, some tube making and engineered steel are also likely to be core areas.

It is a familiar story told by most chairman of manufacturing companies in the past few weeks.

This recession will lead to a further refocussing of British manufacturing moving it out of volume, commodity areas further into niche products which could be the base for a strong international position. That reehaping, through divestmant and acquisition will probably not begin until the economy picks up, prices for unwanted businesses improve and buyers come back into the market.

British business will be unravelling the consequences of this recession well after the economists declare it formally over.

Maxwell secures deal on Daily News

By Alan Friedman in New York

MR ROBERT Maxwell yesterday reached agreement to acquire the strike-bound New York Daily News after the British publisher secured "agreement in principle" on job cuts with the newspaper's ten striking trade unions.

The Tribune Group of Chicago, which owns the loss-making paper, last week signed a letter of intent that calls for the transfer of The News to Mr Maxwell if he can persuade the striking unions to accept swingeing job cuts.

The paper lost $100m in 1990 and is forecast to lose $60m (£32m) in the first quarter of 1991. Circulation has halved from 1.2m since the strike began last October and most advertising has been cancelled.

Mr Maxwell began the talks last Thursday and returned to New York on Sunday night from a brief trip to London, having set a deadline of 10 am on Monday to reach a deal with the unions. He is seeking to cut 800 of the 2,400 union positions on the paper, which translates into an annual cost reduction of $70m.

Mr Maxwell first set a new deadline of midnight on Monday but talks continued round-the-clock yesterday. final Tuesday

Tribune had said it would shut down the paper if Mr Maxwell could not reach an agreement with the unions by March 15.

It is believed, that the likely deal would see Mr Maxwell receiving a cash payment from Tribune in exchange for investing about $50m and assuming severance payment expenses and long-term liabilities of The News.

Next plays for time to favour Otto's offer for Grattan

By Maggie Urry

NEXT, THE high street and home shopping retailer, plans to adjourn the special shareholders meeting it is holding today to give investors more time to consider the competing bids for its Grattan mail order business.

However, the meeting could still be exciting: Next plans to explain to shareholders why it is recommending the apparently lower £151m bid from Otto-Versand, the private German mail order group, rather than the £155m offer made by Sears, the UK retailer.

Mr Michael Pickard, chief executive of Sears and a former director of Grattan, plans to be at the meeting.

Sears has a stake of just under 3 per cent of Next. Otto, which has bought 9.9 per cent of Next's shares in recent weeks, is also expected to be represented at the meeting.

Next said it decided to move the adjournment because events had moved rapidly since the meeting date was fixed. Some shareholders had not had time to return proxy forms. However, outsiders suggested that Next's motive was a fear of losing the vote at the meeting.

Next rehearsed its arguments for favouring Otto's offer to stockbrokers analysts yesterday afternoon. It said that after taking preliminary bids from both sides, it had signed an exclusive agreement with Otto which had made the higher first offer, promising not to negotiate with any other purchaser. Then Sears had come back with another bid.

Next's reasons for continuing to favour Otto revolve around the need for Grattan's new owner to provide services for the Next Directory, the home shopping catalogue which Next is keeping.

The Directory is the fastest growing part of Next's business with sales in the last financial year of £90m. Grattan's purchaser will provide computing services, warehousing, order fulfilment and customer delivery.

Next said that contracts covering the main servicea amount to around £50m over the next four years, and will then be renegotiated. If Sears bought Grattan and later raised the prices it wanted for the services, the £4m extra Next would have received for Grattan could rapidly be used up in higher costs.

Mr Pickard said that he had met Next's management last week and assured them that Sears could provide the same services as Otto at the same price.

Mr Michael Otto, head of Otto, yesterday wrote to Next shareholders saying that Otto was far better able to provide the services than Sears, and was not a competitor to Next in other areas of UK retailing. He said Otto's purchase of a 9.9 per cent stake demonstrated its wish to be a long-term partner.

Otto also said that its offer would no longer be conditional on the European Commission approving the merger. Although many on the Otto side had thought that the EC's approval was a formality, Sears had made much of the point that its £155m offer did not depend on EC clearance.

Next's shares gained ½p to 28p yesterday while Sears' fell ½p to 94p.

Strong second half helps Kerry advance 13%

By Kieran Cooke in Dublin

Kerry Group, the Irish food company, announced pre-tax profits ahead by 12.5 per cent from I£17m to I£19.3m (£18m) for 1990. The results were in line with market expectations and reflected a strong second half performance. Turnover increased by only 4 per cent to I£584m (I£559.6m), but Kerry has managed to re-establish price margins and introduce further efficiencies.

The group has also successfully diversified, buying Beatreme, the US food ingredients company in 1988 for $130m and recently spending £28m on two UK food companies, Robirch and WL Miller and Sons. Kerry has also become heavily involved in meat and poultry processing. The recommended final dividend on the group's 'A' shares is 1.39p and on 'B' shares 0.94p.

Hartstone expands into US with £70m purchase

By Jane Fuller

HARTSTONE Group, the handbags and hosiery company, is expanding into the US via the purchase of two leather goods businesses for up to $127.5m (£68.9m).

The initial consideration of $90m in cash and shares, which includes repaying debt of $55.3m, will be funded by a one for one rights issue at 155p a share to raise a total of £45m. Hartstone's shares were suspended at 186p on February 28.

The combined purchase of Etienne Aigner, a management buy-out, and Michael Stevens is considerably bigger than Hartstone's previous 15 acquisitions. Added together, they cost nearly £40m. The group has been built up over the past two years since Mr Stephen Barker, chairman, led a management buy-in at what was the Glamar hosiery company.

The US companies, in which Charterhouse Gronp International had the main interest, made pre-tax profits of $17m on sales of $129m in 1990. In the year to March, Hartstone is forecast to make a pre-tax profit of £7.3m (£3.2m) on sales of £60m to £70m.

Further payments of up to $37.5m will be made if pre-tax profits exceed $35m over the next two years.

This step into the US follows the building up of a 15 per cent share of the UK market for handbags and small leather goods, and a 20 per cent share in hosiery. Hartstone moved into continental Europe in October through the purchase of a 20 per cent stake in Ipko Werner, a German-Dutch hosiary distributor. A small Spanish purchase followed in December.

The group had minimal borrowings before the US deal and will have about £5m to spare from the rights issue proceeds after the initial payment. The issue has been underwriten by Schroders.

Scottish radio stations merge

By Jane Fuller

COMMERCIAL radio companiea covering tha east and west of Scotland are to merge in a deal announced yesterday between USM-quoted Radio Clyde and Radio Forth, a private concern.

The agreement, which values Radio Forth at £6.3m, involves the exchange of five new shares in Radio Clyde for each share in Radio Forth. Radio Clyde's market value was £16m at yesterday's closing price of 250p.

To soothe concerns about local programming, Mr James Gordon, deputy chairman of Radio Clyde, said: "The strength of local radio lies in its local appeal and we will not interfere with that."

Radio Forth shareholders, which include Crown Communications which has been selling its investments, will hold 28.5 per cent of Radio Clyde's enlarged share capital.

The board of Radio Clyde Holdings will consist of five Clyde and two Forth directors.

The new group plans to lead a bid for the new independent national radio licence. Mr Gordon said that with £3.4m cash in the bank, there was also scope to expand into other parts of the UK.

Radio Forth made a pre-tax profit of £607,000 on sales of £3.6m in the year to September 30. Net assets were £1.7m in September.

Radio Clyde made £2.2m pre-tax on sales of £8.4m last year.

Forth shareholders holding 70 per cent of the equity have irrevocably undertaken to accept the offer.

See Observer Page 22

Carlton signs TV deal

By Raymond Snoddy

Carlton Communications put another piece of its plan to bid for an ITV licence in place yesterday by signing a deal with Noel Gay Television.

Noel Gay Television – an independent production company which specialises in comedy – will develop 8 series of programmes for Carlton over the next three years.

Mr Paul Jackson, managing director of Noel Gay, will be director of programmes designate for Carlton's application "for a major Channel 3 franchise".

Carlton has not yet revealed which franchise it intends to bid for. Thames – the London daytime franchise and the largest ITV company – seems the most likely target. A previous attempt by Carlton to take over Thames was blocked by the Independent Broadcasting Authority.

Mr Jackson is a former BBC director and producer who worked on comedy programmes such as The Two Ronnies and Carrott's Lib.

Mr Nigel Walmsley, who is to be chief executive of Carlton Television, the Carlton subsidiary making the bid, said "we are very pleased to have secured both Paul Jackson's and Noel Gay's commitment to our plans".

API chief quits over policy

By Andrew Bolger

API GROUP, formerly Associated Paper Industries, said Mr Adrian Missenden had resigned as managing director following a disagreement over strategy.

The group's chairman, Mr Charles Rawlinson, who had already intended to retire this year, will do so with immediate effect. He will be replaced by Mr Peter Armitage, deputy chairman, and executives will report to Mr Armitage until a new managing director is appointed.

API shares, which were worth 350p three years ago, yesterday closed at 106p, down 8p, valuing the company at £22.4m.

Mr Missenden was brought in three years ago and took the company out of papermaking, selling its remaining mill. The group now has three divisions: image enhancement products; converted film and paper products; and heating and air conditioning.

API made pre-tax profits of £1.86m (£1.85m) on lower turnover of £72.43m (£79.58m) in the year to September 29. Margins on the image enhancement side had come under pressure due to competition and customers destocking.

Ex-finance director leaves Tootal

Tootal, the textile group trying to fend off a £194m hostile bid from Coats Viyella, yesterday announced the resignation of Mr Alan Webb, its former finance director, from its main board, writes Alice Rawsthorn.

Mr Webb resigned as finance director six weeks ago – two weeks after the departure of Mr Geoffrey Maddrell as chief executive.

Tootal said Mr Webb's appointment as a non-executive director was only ever seen as a temporary measure.

Mr Anthony Habgood, who succeeded Mr Maddrell as chief executive, said Mr Webb had decided to leave earlier than expected because the hostile Coats bid meant that the role of non-executive directora would change significantly.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
American Trust ....fin	3.25	May 10	3.1	4.7	4.5
Blagden Inds ....fin	5	May 3	4.9	9.5†	9.1
BM Group ....int	1.81	May 31	1.2	-	2.8
Cala ....int	1.15	May 9	1.15	-	5.4
Celestion Inds ....fin	1.2	July 10	1	1.2	1
Clondalkin ....fin	2.464♣	-	2.5	4.056	3.756
CMW § ....fin	1.63	May 31	-	2.88	-
Cresta ....fin	1.3	May 1	1.2	2	1.8
Domestic & Gen § ....int	4.5	May 9	3.5	-	10.5
Everest Foods ....int	2.2	May 9	2	-	8
Glynwed Intl ....fin	7.5	July 4	7.5	11.65	11.65
Kerry Group ....fin	1.39♣	-	1.33	2.1	2
Logica ....int	1.15	Apr 30	1.1	-	3.4
Merchants Trust ....fin	2.25	-	2.15	9	8
Plaxton ....fin	1.5	May 5	5.5	4.5	8.5
RPS § ....fin	1.8	-	1.8	3.2	2.8
Second Market ....fin	2.4‡‡	-	0.33	2.4	0.33
StanChart ....fin	7.5*	May 17	22.5	20	35
Strong & Fisher ....int	nil	-	2	-	2
USDC Inv Trust ....fin	3.25	May 3	2.85	4.25	3.85
Wimpey (George) ....fin	6.5	May 7	8.5	10.5	10.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ¤Carries scrip option. ♣Irish currency. ‡‡Includes special dividend of 1.4p.

UK COMPANY NEWS

Direct route across the Channel

Richard Lapper on UK moves into the French insurance market

ALTHOUGH critics may say it is late in the day for insurers to shed their alleged complacency about Europe, three companies have launched ventures recently in one of the continent's most competitive markets – France.

The expansion by Sturge Holdings, Commercial Union and General Accident is in marked contrast to expensive retreats announced last year by their competitors.

Eagle Star sold its French general insurance subsidiary, Prudential disposed of its Belgian offshoot in September and in December Guardian Royal Exchange sold its loss-making Italian companies.

Sturge, the listed Lloyd's of London agency group, has opened a Paris operation, becoming the second Lloyd's agency to seek business directly in France. Commercial Union's French subsidiary began a direct telephone sales operation in France in November and General Accident hopes to follow suit later this year.

Like many Lloyd's agencies, the syndicates controlled by Sturge have traditionally waited for business to be brought to them in London by Lloyd's brokers.

But after steadily losing market share in the 1970s and 1980s to competition from Europe and US, a number of underwriters have become increasingly restive and are pressing to do more marketing efforts of their own.

A little more than a year ago FR White and Others, another Lloyd's underwriting agency, set up a branch of its Linkline marketing activity in Paris.

Sturge, the biggest Lloyd's agency group, followed suit early last year and towards the end of 1990 it won a place on the French insurance bourse allowing it to write local business more easily.

The bourse's centrally managed premiums and claims payments system will allow Sturge to participate more freely in the co-insurance arrangements by which the French market typically writes industrial risks business.

Companies do not have to be members of the bourse in order to write industrial business but it makes it easier and can also reduce costs.

Mr Rainier Brousse, the director of Sturge's European affairs department, says the group is taking a long-term approach. He acknowledges that rates are too low at present.

Leading French industrial companies can buy flexible all-risks policies with premiums of about 0.0275 per cent (0.275 per mille) of the insured value, less than half the levels common in the UK.

It is hard, for example, to write a profitable industrial fire account. Indeed, most French insurers appear to be losing money on this business in order to win market share.

Mr Brousse recognises the danger that Lloyd's could be seen as a "bucket shop" by French brokers unable to place sometimes difficult risks elsewhere.

He has turned down, for example, an approach from an agent representing the owner of a chain of discotheques. French discotheques are a notorious target for protection rackets.

Nevertheless by keeping its costs low and with the backing of Lloyd's reputation Mr Brousse believes Sturge can gradually win business. Mr Guy-Antoine de la Rochefoucauld is the company's only employee in Paris at present and the company is run from offices providing managed services.

Both CU and GA are aiming to develop other general insurance business in Europe through direct sales. They will be combining advertising in the mass media with direct response telephone sales and a telephone-based claims service.

The companies are among the pioneers of such sales methods which are becoming increasingly popular in the UK but are still relatively unknown on the continent.

GA is particularly bullish about the potential of such methods. In the UK it believes it could increase the proportion of home and motor insurance products it sells directly from 5 per cent to 50 per cent in the next five years.

In France CU established its Eurofil subsidiary last November and now employs a staff of 15 at premises at Rueil-Malmaison to the west of Paris. GA is conducting a pilot scheme and is planning to invest several million pounds in an operation it aims to launch this year.

Both Mr Bernard Pottier, the chief executive of CU in France and Mr Bill Jack, the deputy general manager of GA, are firm believers in the extra efficiency and reliability of direct sales methods.

In the UK direct telephone sales methods can contain expenses to 25 per cent of premium income. That is several percentage points lower than the expense ratios typical among insurers retailing either through agents, as in France, or brokers, as in the UK.

Mr Pottier is particularly encouraged by the experience of the rapidly growing French mutual companies. They have increased their market share of home and motor insurance from almost nothing thirty years ago to more than 50 per cent today.

By selling directly to the public the mutuals have been able to reduce their costs and offer cheaper policies. According to Mr Pottier in some areas, such as motor insurance, the mutuals offer policies that are up to 30 per cent cheaper than those sold by their bigger competitors and operate on a cost base that can be up to 40 per cent lower.

Both Mr Pottier and Mr Jack, who has spearheaded GA's direct marketing drive, believe direct writing allows an insurer to exercise greater control over the business it acquires and improve both retention rates and quality.

Successful direct sales techniques depend on effective advertising and an efficient back-up service to receive incoming calls from customers.

Mr Pottier says back-up is particularly important in winning the confidence of French consumers for whom the reassurance of face-to-face contact with a local agent is of perhaps greater importance than in other European markets.

National & Provincial 12% lower at £88.3m

By David Barchard

NATIONAL & Provincial Building Society yesterday reported a 12 per cent decline, from £100m to £88.3m, in taxable profits for 1990.

The fall would have been even steeper if the society had not restated its 1989 profits which were originally announced as £108m. It was the second year in succession that the society has restated the previous year's profits when announcing its results.

At the same time, assets grew by 9.5 per cent to £9.27bn. This was a modest performance by the standards of the industry and as a result, National & Provincial has slipped a place in the building societies league table and now ranks seventh by asset size.

Mortgage lending rose from £6.92bn to £7.49bn, an increase of 8 per cent which was again low by the standards of other large societies. Retail savings held with the society were £6.81bn, up from £6.26bn.

During the year, the society was overshadowed by its decision, taken late in 1989, not to go ahead with a stock market flotation. Both its chief executive and its finance director changed.

The weak profit performance last year was partly caused by provisions against bad debts. There was an exceptional provision against funding initiatives for housing associations, in the area of group self-building.

Under the Building Societies Act, if the value of properties in a self-build scheme falls below the loan value, the society must repossess the building and make provision against the loan as if it was a bad debt, even if the loan is still being serviced.

Mr Richard Newton, chairman, said that the society had not credited interest on any non-performing housing development loans during the year.

There were additional provisions of £7.4m on other mortgage lending.

Property provisions see Cala plunge into the red

By James Buxton, Scottish Correspondent

CALA, the Edinburgh-based housebuilder and developer, plunged into the red for the first time in its history in the six months to December 31 following provisions on its property development and finance sectors.

It warned that profits in the second half were unlikely to offset the first half loss but is maintaining the interim dividend at 1.15p.

Although the group made a trading profit of £1.59m (£5.03m), provisions and reorganisation costs totalling £5.5m (£2m) produced a pre-tax loss of £3.95m (profit of £3.03m). Sales were £33.81m (£34.28m).

Cala said its core businesses, housing subsidiaries in the south, the Midlands and Scotland, were profitable with reservations of new houses running at near budgeted levels, after write-downs made last year on land purchases. It hoped the reductions in interest rates would lead to increased demand, and said it had been able secure attractive new sites at above average margins.

However, it has run down its presence in the commercial property market in the south of England which it did not expect to improve for at least two years. Exposure would be limited by the year end to a building in Watford and a site for industrial development near Guildford which would be mothballed and their values written down. Provisions in this sector totalled £2.7m.

Cala Finance, which arranges development finance for smaller residential developers, mainly in the south of England, lost an estimated £1.5m through the demise of one of its partners in Croydon and was nursing a number of difficult joint ventures.

The company will not finance any new joint ventures in the south and said that by the year end its exposure will be limited to two developments which are currently profitable.

NEWS DIGEST

Celestion recovery maintained

THE RECOVERY at Celestion Industries, the clothing, swimwear and audio group, gathered pace in 1990 and led to a pre-tax profit of £951,000.

In 1989 the group reduced its loss from £1.96m to £23,000.

Earnings per share were 3.9p (losses 0.1p) and the dividend is stepped up to 1.2p (1p), the first increase for many years.

Celestion Textiles lifted sales 16 per cent to £21.3m (£18.43m) and operating profit to £1m (loss £1,000). The division is concentrating on the manufacture of intimate apparel, principally for Marks and Spencer.

Extraordinary provisions of £552,000 were made on the withdrawal from outerwear manufacture, the final element in the division's reorganisation.

At the Celestion Audio loudspeaker division, sales were up 7 per cent to £15.59m (£14.56m) and operating profit increased 22 per cent to £1.2m (£983,000).

SLIX swimwear sales were up 29 per cent to £4.62m (£3.59m) but operating losses of £586,000 (£382,000) were sustained largely because of the continued brand investment programme.

Improved margins as Everest climbs

Improved margins on its frozen foods operation enabled Everest Foods to double pre-tax profits in the half year to November 30 1990.

On turnover 11 per cent higher at £14.98m (£13.52m) profit came through at £1.47m (£716,000). Frozen chips and related potato products accounted for £7.46m (£6.31m) of sales and £1.47m (£662,000) of trading profit.

Mr Bob Gilbert, *chairman*, said the improvement in margins was the result of capital expenditure on production facilities and a flexible pricing policy to react to market conditions.

From *earnings* of 9.55p (4.65p) the interim dividend is 2.2p (2p).

Merchants Trust net assets dip 15%

The Merchants Trust reported a net asset value of 191.29p per share at January 31 1991 – a 15 per cent fall over the year.

Net revenue, however, increased from £9.1m to £10.42m for earnings of 10.18p (8.89p) per share. A recommended final dividend of 2.25p lifts the total by 1p to 9p.

Setback for American Trust

Both net assets and revenue at American Trust suffered a setback over the 12 months to January 31 1991. Sir Norman Macfarlane, chairman, said: "The principal factor ... was the decline of almost 15 per cent in the value of the dollar relative to sterling."

Net asset value, after deducting prior charges at par, emerged at 161.6p (180.8p). Net revenue fell a commensurate amount to £3.76m (£4.31m). Earnings per share dipped to 4.51p (5.18p) but the recommended final dividend is lifted to 3.25p for a total of 4.7p (4.5p).

Second Market ahead to £0.5m

Second Market Investment Company lifted taxable profits from £184,886 to £539,722 in 1990. Net asset value per share fell to 221.6p against 284.3p a year earlier.

Earnings per share improved from 1.04p to 3.82p and a dividend of 2.4p (0.33p), including a special payment of 1.4p, is proposed.

USDC Investment Trust assets fall

At the end of 1990 net asset value of USDC Investment Trust had fallen to 169.7p, from the 212.9p of 12 months earlier.

Gross income for the year came to £3.27m (£3.17m) while net revenue worked through at £1.82m (£1.8m).

That gave earnings of 4.96p (4.92p) and the proposed final dividend is 3.25p to raise the total to 4.25p (3.85p).

CMW's £373,000 exceeds forecast

CMW Group, the reconstructed architectural, planning and interior design concern, beat the profits forecast made at the time of its introduction to the USM last November.

The group, which comprises the UK interests of Tribble Harris Li following the disposal of its US businesses, reported taxable profits of £373,000 for the 12 months to end-November.

The result – achieved on turnover of £5.22m (£5.93m) – compared with profits last time of £641,000 and a forecast outcome of £350,000.

Earnings per share emerged at 11.9p and a proposed final dividend of 1.63p brings the total for the year to 2.88p.

Clondalkin advances 17% to I£11.87m

Clondalkin, the Dublin-based packaging and printing group, achieved a 17 per cent increase in pre-tax profits for the year to December 31, up from I£10.08m to I£11.87m (£10.74m).

Turnover increased from I£129.17m to I£151.56m. Earnings per share advanced to 22.64p (19.41p) and a final dividend of 2.484p is proposed, bringing the total for the year to 4.056p (3.755p).

BM bucks sector trend with near 44% advance

By Jane Fuller

THE STREAM of gloomy news emerging from construction-related companies was interrupted yesterday by BM Group, which reported a 43.6 per cent increase in pre-tax profit for the six months to December 31.

The advance, from £9.4m to £13.6m, came in spite of a near trebling of interest costs to £3.8m (£1.4m).

BM, which distributes and makes construction equipment and building products, last autumn took over Blackwood Hodge, the international distributor of earth-moving equipment. The deal valued heavily indebted Blackwood at about £55m and most of the payment was in new BM shares.

Blackwood was included in the interim figures for five weeks. Mr Roger Shute, BM's chairman, said it had contributed £30m to group turnover of £148.8m (£96.4m), but virtually no profit.

He catalogued the cuts and disposals going on at Blackwood, where annual turnover was likely to come down from £500m in 1989 to £300m.

● Nearly 1,000 jobs had been cut. Added to 247 shed in a factory closure at BM's Wickham subsidiary, the combined workforce had fallen from 6,800 to 5,600.

● Creditors had been cut by £100m and stocks by £50m. The overhead reduction amounted to an annualised £15.4m. One-off costs totalled £11m, of which £8m had been taken above the line in the interim results.

● A 21-acre site at *Northampton* had been vacated and was due to be sold for £4.1m. Two smaller UK sites had also been closed.

● Two African subsidiaries had been sold and another nine were being disposed of.

● Operations in Hong Kong, Pakistan and other parts of the Far East and Asia were also being sold.

Mr Shute said the disposals would help to reduce bank borrowings of £108m, representing gearing of 95 per cent.

On BM's trading, he said the weakness in UK house building had been offset by growth in mining and road-related business. Sales were up in the UK, North America and Australia.

Fully diluted earnings per share rose to 11.3p (8.8p). The interim dividend is 1.6p (1.3p).

● COMMENT

After five years of rapid growth – 1989-90's pre-tax profit of £23.1m was 10 times that of 1985-86 – BM has shown that it was also ready for recession. The group's ability to counteract weakness in one area with growth elsewhere should be substantially enhanced by the Blackwood acquisition, particularly in North America, Australia, Belgium and Spain. Further progress is expected to be made in Australasia through cementing links with Japanese construction equipment interests. Sceptics, however, still wonder whether the previously intransigent problems at Blackwood will scupper the best-laid plans. The first part of the cure, rigorous pruning, is well under way. Debt reduction needs to follow and the gearing target is 70 per cent by June. Changing the culture away from turnover at all costs (sometimes a loss) will take longer. Meanwhile, Blackwood's 1 per cent margins will obviously drag down BM's 10 to 15 per cent. A forecast full-year pre-tax profit of £36m gives a prospective multiple of about 10.5. After a strong run the price may pause, but scope for growth remains.

Alan Harper

Roger Shute: disposals to reduce bank borrowings

N American losses and strong pound leave Logica down 22%

By Alan Cane

SIGNIFICANT LOSSES in North America coupled with adverse exchange rate movements depressed first half sales and pre-tax profits at Logica, one of the few large computing services companies still in UK ownership.

Turnover for the six months to December 31 was £95.5m, up just 5 per cent up on the same period last year while taxable profits fell 23 per cent to £4.72m (£6.02m).

Earnings per share dipped to 4.5p (6.2p), but the interim dividend is raised by 5 per cent to 1.15p. "It means we feel we are well placed for the upturn when it comes" said Mr David Mann, group managing director.

He said that the strength of *sterling over the past year had* cast an shadow over the results that was not entirely justified. About half of sales were now made outside the UK. At constant exchange rates, total sales would have grown by 10.6 per cent compared to last year, slightly ahead of the industry.

On the same basis, UK revenues grew by 14.5 per cent, while sales in continental Europe and the Asia Pacific region were up 12.9 per cent and 17.6 per cent respectively. The company had grown strongly in the government and public utilities sectors.

North America remains a black spot for Logica, however, with revenues down 6 per cent in dollar terms which converts into a 23 per cent reduction expressed in sterling.

Mr Mann said operations there lost £1m in the first half of the year while a further £750,000 had to be set aside for restructuring costs. To compound the company's difficulties, the losses in the US can*not be offset elsewhere* and as a result, the tax rate is expected to be 42 per cent compared with 37 per cent last year.

A new chief executive, Mr Bill Fello had been appointed and the US company was now "moving in the right direction",Mr Mann said.

● COMMENT

Logica's star is looking a little tarnished at present, but it still manages to attract some of the more exciting projects. Contracts announced yesterday included a system to improve security on the London Underground which mimics brain activity and a voice command system for the European Fighter Aircraft. Mr Mann emphasised that the rest of the year would be difficult and that there were few signs that an upturn would take place before the fourth quarter; analysts are predicting pre-tax profits for the full year of £11m to £12m, which seems appropriately cautious given Logica's North American problems. *There is concern* that 48 per cent of Logica's sales are now accounted for by fixed price contracts, where it and other computer services companies have come to grief in the past. Mr Mann is confident, however, that Logica has the management strengths to cope.

StanChart to buy out minority

By Kevin Brown in Sydney

STANDARD Chartered Bank said it planned to offer minority holders A$13m (£5.4m) for the 25 per cent of shares it does not own in Standard Chartered Bank Australia.

The offer followed the announcement by the Australian subsidiary that its net loss had risen from A$54.18m to A$61.07m in 1990. The bank said its result would have improved significantly but for a tax bill of A$28.13m, compared to a credit of A$26.34m.

Mr Rodney Galpin, chairman of StanChart, said the group was seeking 100 per cent ownership to develop its Asia Pacific business, but would *maintain the Australian* subsidiary's domestic operations.

Mr Galpin said StanChart intended to inject new capital. The subsidiary is thought to have suffered the bad debt problems experienced by most Australian banks, and the group had to provide indemnities against Australian business worth A$76m last year.

The bank said the offer would be made through a proposed capital reduction which would cancel all shares held by minority owners. They would receive 50 cents per ordinary and A$2 per preference share.

StanChart said the offer price represented a 32 per cent premium to the most recent market quote for the ordinary shares and a significant premium to net asset backing. The preference offer values the shares at a 43 per cent premium to the market price.

Mr Galpin said about half the shareholders owned less than a marketable parcel of shares and had in practice been unable to trade. *Only* 1,000 preference shares had been traded since July 1989.

Plaxton warns of further gloom after dive to £4m

By Clare Pearson

PLAXTON, the coach builder and motor distributor, yesterday warned there were even tougher times ahead for the UK coach and bus industry after it had fallen into a sudden recession last year.

Mr David Matthews, chairman, said 1991 was forecast to be the worst year on record for the industry. This was after Plaxton's coach division had plunged into a pre-interest loss of £1.15m in 1990 compared with a £6.66m profit previously.

That meant group pre-tax profits slumped to £4.2m, less than half the previous year's £8.72m.

Mr Matthews said: "Plaxton Coach and Bus is an efficient manufacturing business which has been adversely affected by the collapse of market demand caused by external measures designed to reduce the general level of inflation."

He said he did not expect the coach business to recover until well into 1992. The recession had hit the company just as it was taking its first steps to reduce its reliance on the UK market and just before it had launched two bus products.

Jobs at the main Scarborough factory were reduced by 150 last autumn. The coach division's loss came on turnover of £108.31m (£105.74m).

But the motor division improved pre-interest profits to *£6.12m (£4.69m)*, on turnover of £276.81m (£256.78m), in spite of the slide towards the end of the year in UK vehicle sales, which had continued into 1991.

Mr Matthews said margins were lifted by the sale of underperforming dealerships acquired with Henlys, the division's big acquisition in 1989. Pre-interest profit from business disposals rose to £2.82m (£737,000).

Interest charges took £3.58m (£3.37m). Mr Matthews said *gearing had risen from about* 40 per cent to 50 per cent by the year-end. He expected borrowings to fall this year as heavy vehicle stocks were reduced.

Earnings per share plunged to 9.1p (20.1p). The final dividend is cut from 5.5p to 1.5p, making 4.5p (8.5p) for the year.

● Plaxton also announced yesterday that Mr Richard Battersby was resigning as finance director. It said this was unconnected with current trading problems. Mr Brian Chivers, previously Henlys finance director, is to take over.

Strong & Fisher deeper in the red

By David Owen

Strong & Fisher, the leather company rescued last year by Hillsdown Holdings in a move which gave the food, furniture and property group 70.3 per cent of the outstanding shares, reported a £7.48m interim pre-tax loss attributable to a severe across-the-board market downturn.

This was against a loss of £847,000 in the six months to end-December 1989. Turnover tumbled by 36 per cent to £30.12m against £47.24m.

The bulk of the loss stemmed from a £6.28m exceptional charge relating to stock write-downs and a further increase in bad debt and restructuring provisions.

During the latter part of 1990 skin prices continued to fall and a number of overseas *customers had severe trading* difficulties, the company said. Trading losses were trimmed marginally to £1.2m (£1.31m).

No interim dividend was paid (2p). The group said that it was arranging a capital reduction exercise which would enable the payment of dividends "as soon as circumstances permit."

The loss per share was 29.4p (8.4p). There was an extraordinary gain of £1.59m (£1.41m charge).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.03.91: Pool purchase price £/MWh	Final Prices for Trading on 13.02.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.92	18.03	16.03
0100	18.22	21.18	22.68
0130	18.67	30.61	32.31
0200	18.67	30.61	32.30
0230	18.32	30.61	32.30
0300	18.22	22.50	24.00
0330	15.24	21.29	22.81
0400	15.10	20.85	22.16
0430	14.88	16.06	16.06
0500	14.78	15.58	15.53
0530	14.88	18.00	19.53
0600	15.18	15.45	15.46
0630	15.78	18.18	19.65
0700	18.16	22.43	24.02
0730	18.41	24.33	25.97
0800	18.41	24.33	25.93
0830	19.00	24.33	25.92
0900	20.54	24.34	25.91
0930	20.64	24.35	25.90
1000	20.54	24.35	25.89
1030	20.54	24.35	25.88
1100	20.64	24.34	25.89
1130	20.64	24.34	25.89
1200	22.65	24.34	25.89
1230	22.65	24.33	25.89
1300	22.65	24.33	25.90
1330	20.64	24.33	25.92
1400	20.54	24.33	25.94
1430	19.60	24.33	25.95
1500	28.15	24.33	25.95
1530	28.15	24.33	25.94
1600	28.15	24.33	25.94
1630	21.47	24.34	25.91
1700	20.69	24.80	26.16
1730	24.22	30.44	32.19
1800	24.22	30.61	32.20
1830	25.50	30.27	31.92
1900	26.50	24.44	25.91
1930	26.50	25.46	25.98
2000	26.50	25.45	27.00
2030	23.02	24.33	25.89
2100	20.69	24.33	25.91
2130	18.97	24.33	25.93
2200	18.97	22.43	23.98
2230	18.67	18.24	18.24
2300	15.92	15.03	15.03
2330	15.24	13.40	13.40
2400	15.00	13.40	13.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Acquisitions help boost Blagden 15% to £13.3m

By Michiyo Nakamoto

CONTRIBUTIONS from acquisitions and a wide geographical spread enabled Blagden Industries, which has interests in packaging, chemicals and *industrial equipment*, to lift profits more than 15 per cent.

Pre-tax profits for the year to December 31 rose to £13.29m from a previous £11.46m, while turnover increased to £218.06m (£193.67m).

The shares closed up 18p at 192p.

The group benefited from the acquisition of two protective equipment distributors in the UK and two packaging companies and a chemicals company in Belgium. These contributed approximately £11.3m of annualised turnover and £1m of annualised profits to last year's results.

Mr Tec Wilkinson, chairman, said he was very pleased with the purchases. The group had also had the advantage of not being over-exposed to the UK market, he said.

The acquisitions, coupled with further capital expenditure, increased group borrowings *to £26.1m (£21m)*, giving net gearing of 38 per cent (38 per cent).

All of the three main areas of business performed well and tight management controls enabled it to raise trading margins from 6 to 7 per cent.

The loss-making UK plastics blow moulding business was sold and there was an extraordinary pre-tax gain of £649,000 arising from the disposal.

Earnings per share rose to 19.6p (17.6p) and a final dividend of 5p (4.9p) is recommended, making a total of 9.5p (9.1p) per share.

With a strong balance sheet, Blagden plans to continue expanding through acquisitions, with a further distribution business in continental Europe a strong possibility.

Domestic & General lifts profits 46% at midway

By Richard Lapper

IN SPITE of the slowdown in *retail sales, Domestic & General*, which insures domestic appliances against breakdown, reported a 46 per cent increase in pre-tax profits at the interim stage.

In the six months to December 31 1990 profits rose to £2.13m. Earnings were 19.85p (12.84p) and the interim dividend is up 1p to 4.5p.

Premium income increased to £14.63m (£9.86m), with domestic appliances accounting for 98 per cent of the total.

Premiums from legal expenses and other insurance business declined from £1.05m to £292,000 following the sale of the legal expenses business to a Sun Alliance subsidiary.

Mr Martin Copley, chairman, said retailers were selling D&G products "harder than ever" and the company had won a good response from its efforts to increase sales via direct mail. During 1990 the company sent out 2m mailshots and planned to mail 2.5m potential customers in 1991. Between 10-15 per cent of those mailed had eventually bought D&G policies.

Underwriting profit on its domestic appliance business was £4.06m (£3.19m). Reflecting high interest rates investment income rose by 22 per cent to £2.24m. Expenses grew by over 8 per cent to £4.56m.

£10.4m placing by Cresta

CRESTA Holdings, the Isle of Man-based elderly care group, is to raise £10.4m by the issue of 30.72m shares.

They have been placed at 35p each and shareholders have the right to clawback at that price on a 3-for-5 basis.

The group has now disposed of all its non-core businesses with the exception of a small estate agency, and the new money will enable it to fund its planned expansion of CrestaCare – its core nursing home division.

Accompanying the issue, figures for 1990 showed pre-tax profit down from £6.66m to £5.3m on turnover of £36.61m (£47.14m), reflecting the rationalisation programme.

Earnings were 8.7p (11.6p) and the final dividend is 1.3p for a total of 2p (1.8p).

CrestaCare accounted for 42 per cant of group profits in 1990, and is expected to provide 90 per cent this year.

Existing commitments will take the number of beds from 1,000 to 1,400, and it is planned to further increase that to 1,800 during the next 12 months, with *particular* emphasis on the north of England.

Of the new shares, 18.75m have been placed with ASIL, an investment and property company in Hong Kong.

Environmental demand boosts RPS

Increasing demand for environmental services resulting from tighter legislation and improved consumer standards lifted profits and turnover at RPS Group, the environmental consultancy.

The pre-tax figure advanced to £1.74m (£1.72m) for 1990 on turnover up from £8.76m to £9.63m.

Earnings per share stood at 9.49p, against 9.39p, and the increased recommended final dividend of 1.8p makes a total of 3.2p (2.8p).

BUSINESS AND THE ENVIRONMENT

Clean buildings open their doors

By John Hunt

During the current surge in public concern for the environment the targets for "green" campaigners have been power stations, cars, sewage plants and local oil and chemical industries. attention is now switching to a less obvious source of environmental damage – our homes and the buildings in which we work.

Buildings have a long-term environmental impact – from extraction of raw materials for construction to eventual demolition and disposal. The energy used for heating, lighting and air conditioning accounts for of UK emissions of carbon dioxide, the main greenhouse gas.

Now new initiatives are under way to tackle these problems. The Building Research Establishment (BRE), a government agency at Watford, Herts, is working on designs for buildings that can withstand the extreme effects of climate change. It is investigating the effect of rising sea levels on foundations and assessing damage to the fabric of buildings from the storms that could accompany global warming.

An independent scheme to assess buildings for environmental "cleanliness" has been launched by BRE with the ECD partnership, energy consultants and architects, and leading developers. Companies involved are Stanhope Properties, Olympia & York, Greycoat and J. Sainsbury, the supermarket chain.

The scheme, entitled Breeam (Building Research Establishment Environmental Assessment Method), will initially apply to new offices, later to supermarkets and eventually housing.

In a separate initiative the National Energy Foundation, a charity, has launched the National Home Energy Rating scheme to measure the efficiency of houses in terms of energy running costs on a scale of 0 to 10. A computer program shows householders how to improve their energy efficiency.

These types of voluntary initiatives are in tune with the UK government's policy of improving the environment by using market-based incentives rather than tougher regulations.

A Breeam certificate consists of the number of environmental targets, and developers are given credits depending on how many targets they meet.

Wasteful use of lighting and heating means that more fossil fuels are burnt in power stations, thus releasing more carbon dioxide into the atmosphere. Energy can be conserved through more efficient heating units, improved light bulbs and higher standards of insulation.

Use of substitutes for CFCs is one of the main aims of the Breeam system. In 1986 it was estimated that air conditioning accounted for 38 per cent of UK demand for CFCs in refrigeration. They are also used in producing some insulating materials.

The choice of timber has an impact on the conservation of the tropical rainforests. Softwoods are mainly used in construction but contractors are urged that tropical hardwood used for fittings such as doors should come from forests maintained in a sustainable way.

The spread of new building development in the countryside has caused intense controversy. Breeam seeks to ease the pressure on green landscapes by awarding credits for building on land reclaimed from industrial sites or waste tips.

The internal environment of buildings – the so-called "sick building" syndrome – is attracting great attention. Formaldehyde emissions from chipboards, adhesives and some cavity wall insulation can cause eye and throat irritation. Barely noticeable flickering of fluorescent lighting contributes to headaches and eyestrain. Credits are given in the scheme for the use of materials which avoid these risks.

But such voluntary programmes are greeted with scepticism by the green movement. Fiona Weir, atmosphere campaigner at Friends of the Earth, would prefer tighter building regulations to ensure that all developers rapidly meet tougher environmental standards. "There are certain things you just cannot leave to market forces and this is one of them," she said.

David Fishlock reports on a chemical company forced to phase out its main product

It's a hard knock life

How does a chemical company survive when it is forced to phase out its main product because the substance harms the environment? Associated Octel, which has lost its battle against anti-lead campaigners, believes it can still have a commercial future by exploiting its technological base.

Associated Octel has been making organo-metallic compounds at Ellesmere Port on Merseyside since 1938. It uses a process originally installed by ICI on UK government orders to safeguard the national supply of compounds to stop "knocking" in engines running on low-octane petrol.

Until 1989 it was owned equally by five major oil companies. It makes a mixture of two lead compounds, tetra ethyl lead and tetra methyl lead, which refineries add to petrol. In 1990 the mixture accounted for 90 per cent of Octel's earnings of £300m.

In 1983 the government bowed to campaigners by agreeing to a gradual phase-out of lead additives to petrol. For the first time in 45 years Octel executives began to think seriously of diversifying into other chemicals.

Octel's parent companies, however, were not encouraging. Each had its own chemicals business and claimed that Octel would be competing with them if it diversified. Mike Lord, manager responsible for developing its fuel additives business, recalls the disappointment of having one opportunity turned down only to see it exploited elsewhere.

Freedom to diversify came only in 1989, following the purchase of a majority shareholding in Octel by the fast-growing US speciality chemicals company Great Lakes.

For Great Lakes, Octel is both a company with a sound technology base and a good bridgehead into Europe for speciality chemicals after 1992, explains John Little, Octel's managing director.

Little believes that the basic business will disappear during the 1990s, but meanwhile can provide abundant cash to rebuild it around different products. US experience suggests that as the refineries reduce the amount of lead additives used, the value of those compounds will rise.

The company has continued to invest heavily in new technology for its additives – new sodium and bromine technology, for example – which gives Little confidence that the company can be competitive in making new products. What it lacked was an innovative team to generate new ideas.

The one acquisition agreed by its previous owners was Palmer Research Laboratories, a contract R&D organisation in Wales, specialising in chemical synthesis and small-scale manufacture of fine chemicals for such companies as Beecham and ICI.

Bob Tyson, director of corporate technology, manages a combined R&D team of 200, with its emphasis shifting to chemistry instead of engineering. A £2m investment in new pilot reactors at Palmer will equip this team to take new products from laboratory to small-scale production.

Dick Binnington, business development director, sees two kinds of new business opportunities for Octel: to use Octel's existing organo-metallic chemistry to do something different, and to develop (or acquire) transport fuel additives that are free from lead.

Peter Wright, manager responsible for new chemicals, sees the metal sodium as one big opportunity. "We want to free its real potential," he says. Octel needs molten sodium as an intermediate in making its lead additives, and claims to be Europe's biggest (and Britain's only) producer.

Many see sodium as an intrinsically hazardous substance, remembering how a fragment spits and splutters in water. For Octel it is simply a commonplace metal of which it refines 25,000 tonnes a year. Sodium ingots can be handled safely with dry cotton gloves. As a silvery fluid – at the boiling point of water – it is a powerful reducing agent for driving chemical reactions.

Wright contends that, because it is cheap, sodium would be used more widely in the chemical and pharmaceutical industries if it could be safety dispersed as fine droplets to offer a much bigger surface to react with other chemicals, and tighter control over the reaction. The trick is to keep this dispersion stable. Octel has developed a process for producing stable dispersions of micron-sized droplets, opening opportunities both in building new organic compounds and in the rapid breakdown of toxic organic wastes.

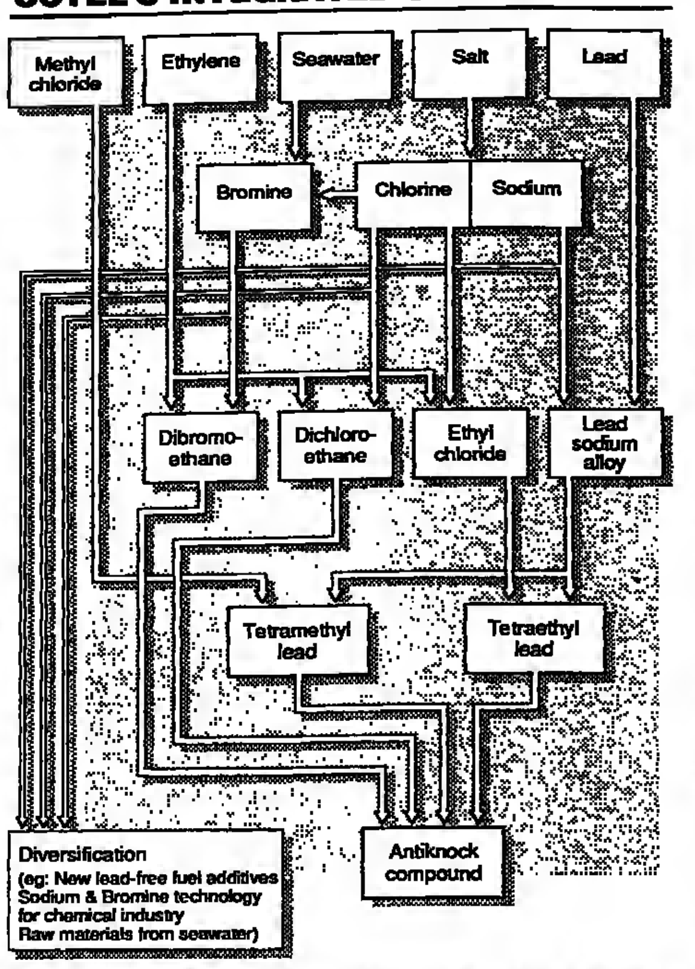
Another Octel feedstock is bromine, extracted from Irish seawater on a scale unmatched elsewhere in Europe. Already it sells liquefied bromine as a pharmaceutical feedstock and as an intermediate in making agro-chemicals, totalling 15 per cent of its bromine capacity.

Often the bromine can be recovered later in the process, and recycled. Wright's scheme is that instead of shipping a hazardous reagent Octel itself should undertake the bromine reactions for clients at its production site, and "keep the bromine off the roads".

Mike Lord, responsible for developing the fuel additives business, sees opportunities in additives free from lead, for different purposes. Diesel oil is decades behind petrol in using additives, he contends. Since 1985 Octel has partnered ICI in developing additives to upgrade diesel fuel. Lord says these chemicals – such as iso octyl nitrate – are "basically explosives", added at up to 1,000 parts per million to raise the cetane rating.

To overcome the problem of keeping diesel injectors clean, Octel has bought the process for making a detergent additive from the French Petroleum Institute in Paris.

OCTEL'S INTEGRATED CHEMISTRY



Copper mine with a deep green finish

By Kenneth Gooding

Environmental protection measures will account for at least 70 per cent of the $20m-$30m (£10m-£15m) that Flambeau Mining will spend to develop a copper mine at Rusk City, Wisconsin.

The copper mine will have a relatively short life and reclamation plans call for all waste rock, glacial overburden and soil to be returned to the open pit in their original sequence.

The site will then be replanted with grass and trees to encourage local wildlife to move back into the area – there will be savannah grass to appeal to deer, for example – and a 7.5 acre wetland over one end of the site.

Flambeau Mining will be expected by the state of Wisconsin to post a $9m bond to cover the cost of reclamation and will then be permanently responsible for monitoring and maintaining the site.

Flambeau's copper project presents a prime example of how environmental pressures are speeding up the process whereby the world's mining companies are merging into bigger and fewer entities.

Larry Mercando, vice president and general manager of Flambeau, suggests that a small mining company could not even have afforded to complete the permitting process which has been dragging on for more than 20 years.

Certainly no small mining company would have been able to commit itself to taking permanent responsibility for the mine site. This issue is becoming increasingly important because often in the past companies left mines where the ore has run out to become blots on the landscape and, sometimes, dangerous.

Flambeau's copper deposit was discovered in 1968 and the company's initial proposal was for the pit to be turned into a lake after mining ended. This idea was not received and the project was shelved in the late 1970s.

It was reactivated in 1986, since when Flambeau has gradually worked its way through various tortuous procedures and faced considerable opposition – although Mercando suggests that at least 80 per cent of the local population are in favour and welcome the 60 jobs that will be created.

The deposit is located in northern Wisconsin, near a river in a heavily wooded area where there is no industrial activity. Flambeau's mine will be the first to be built in the state of Wisconsin since the Shullsburg lead-zinc mine closed in 1979.

Nevertheless, in January this year Wisconsin's Department of Natural Resources finally gave Flambeau the go-ahead. There remains the possibility that individuals might challenge this decision in court, but Flambeau hopes to start construction this coming summer and to ship the first ore from the mine in the autumn of 1992.

Flambeau remained determined to get the mine into production through the years because the deposit is exceptionally rich. The ore contains 10.5 per cent of copper whereas most miners would be happy with 2 or 3 per cent. Unfortunately for Flambeau, there is only 1.9m tonnes of ore. As this will be dug out at the rate of 320,000 tonnes a year, the mine has a life expectancy of only six years.

The deep pockets financing Flambeau through the complex permitting processes belong to its parent, the Kennecott Corporation. For much of the time Kennecott was owned by oil companies, firstly Standard Oil (Sohio) and then British Petroleum (BP). In 1989 ownership switched to the RTZ Corporation of the UK, the world's biggest mining group.

Because ore will not be processed at the mine but shipped elsewhere, the biggest cost Flambeau faces is for a treatment plant to ensure that the water discharged by the mine is purer than any to be found in nature. And, by agreement with the local population, the open pit from which the ore is to be lifted will be limited to a depth of 225 feet. It will also be 2,400 feet long and 500 feet wide which will make it a relatively small open pit compared with others in the industry.

Mercando says that Flambeau won the right to dig copper out of Wisconsin by "coming up with some innovative ideas to show that mining can be carried out in an environmentally friendly way."

LEGAL NOTICES

CASTLE RECRUITMENT (HOLDINGS) LIMITED
SENTER STAFF LIMITED
HAIG WYRESDALE RECRUITMENT ADVERTISING LIMITED
CASTLE RECRUITMENT LIMITED
CASTLE RECRUITMENT (NOTTINGHAM) LIMITED
CASTLE RECRUITMENT (BRISTOL) LIMITED
CASTLE RECRUITMENT (COVENTRY) LIMITED
CASTLE RECRUITMENT (MANCHESTER) LIMITED
CASTLE CONTRACTS LIMITED
- ALL IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at The Park Hotel, New Street, Birmingham on 21 March 1991 at 11.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote to the meeting must lodge a written statement of their claims with us to Cork Gully, 43 Temple Row, Birmingham B2 5JT no later than 12 noon on 20th March 1991 Forms of proxy which, if intended to be used, must also be lodged with us by that time. (Faxed copies are not acceptable).

Dated: 1 March 1991

Ian N Carruthers and David R Wilton
Joint Administrative Receivers

TO: PETER IAN MUNNS
Of: 17 Devonshire Street, London W1N 1FS
and also of Whitecrests, Botany Close, Rustington, West Sussex

TAKE NOTICE that a Statutory demand has been issued by
Name of Creditor: ALVA LIMITED
Address: 15 Second Avenue, Douglas, Isle of Man

The Creditor demands payment of £449,985.63 the amount now due on a Judgment of the High Court of Justice Queens Bench Division dated the 4th day of July 1990.

The Statutory Demand is an important document and it is deemed to have been served on you on the date of the first appearance of this advertisement. You must deal with this Demand within 21 days of the service on you or you could be made bankrupt and your property and goods taken away from you. If you are in any doubt as to your position, you should seek advice immediately from a solicitor or your nearest Citizens' Advice Bureau.

The Statutory Demand can be obtained or is available for inspection and collection from:

Name: Atkinson Dacre & Slack
Address: 40 Boroughgate, Otley, West Yorkshire LS21 1AF

Solicitor for the Creditor
Tel No: 0943 465922 Ref: PRW

Welland Group Plc
Welland Homes West Ltd
WSJ Construction Ltd.,
Craft & Management Training (UK) Ltd
Welland Projects Ltd
Welland Developments Ltd
Welland Homes East,
WSJ Holdings Ltd
Linkharp Limited
Bescaby Homes West Ltd
WSJ Homes Ltd

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named companies will be held at the National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands, B92 0EJ, in the Compton Suite, on 19 March 1991 at 2.30 pm for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditor's committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA, no later than noon 18 March 1991, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) There has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date: 4 March 1991

David R Wilton
Joint Administrative Receiver

No.00883 of 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF SPACE-TIME SYSTEMS (HOLDINGS) LIMITED
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE is hereby given that the Order of the High Court of Justice Chancery Division dated 18th February 1991, confirming the reduction of capital and cancellation of Share Premium Account of the above-named Company approved by the Court, showing the several particulars required by the above-named Act was registered by the Registrar of Companies on 28th February 1991.

Dated this 13th day of March 1991.

Gouldens
22, Tudor Street,
London, EC4Y 0JJ

Solicitors for the above-named Company.

COMPANY NOTICES

THE COLNE VALLEY WATER COMPANY PLC

NOTICE IS HEREBY that the Transfer Books of Ordinary and Preference Stocks will be CLOSED for one day only on 21st March, 1991 for the preparation of Dividend Warrants payable on 1st April 1991.

Dated this 13th day of March 1991

P W Darby
Secretary

P.O. Box 48
Bishops Rise
Hatfield, Herts
AL10 9HL

PERSONAL

CLUBS

FORM OF APPLICATION FOR A PRIVATE ELECTRICITY SUPPLY LICENCE

1. Full name of the applicant(s)
   PowerGen plc
2. Address of the applicant(s) or, in the case of a body corporate, the registered or principal office
   53 New Broad Street, London EC2M 1JJ
3. Where the applicant is a company, the full names of the current Directors and the company's registered number

   Sir Judson Graham Day, Edmund Arthur Wallis, David Dance, Roger Thomas Jump, John Leonard Rennocks, Alfred Roberts, Michael Francis Reidy, Colin Southgate, Paul Myners, John Anthony Gardener, Sir Frederick Crawford.

   Registered No 2366970

   Where a holding of 20 per cent or more of the shares of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit, the name(s) and address(es) of the holder(s) of such shares shall be provided.
4. Not applicable
5. Desired date from which the licence is to take effect
   1st April 1991
6. A sufficient description adequately specifying (see Note 2) the nature and situation of the premises intended to be supplied, separately identifying premises within the power bands specified in and to the extent provided by paragraph 7 below.

   Any non-domestic premises with a demand of 1.0 MW or more in the Authorised Supply Areas of Scottish Power plc and Scottish Hydro Electric plc
7. a) Subject to sub-paragraph (b) indicate the total number of premises intended to be supplied in each power band as shown in the table below, together with the aggregate energy forecast to be supplied and the aggregate estimated maximum demand for each power band.

   b) If the date in paragraph 5 above is on or after 1st April 1992 then only Power Band A shall be completed and if the said date is on orafter 1st April then this paragraph shall cease to have effect

Power Band	Number of premises	Aggregate Maximum demand	Energy (Gwh) to be supplied
(A) Not exceeding 01 MW		NONE	
(B) Exceeding 0.1 MW but not exceeding 1.0 MW		NONE	

8. A description of the system of electric lines and electrical plant by means of which the applicant intends to supply electricity, indicating which plant and lines are to be constructed and which are existing plant and lines, and further identifying any parts of that system which will not be owned by or otherwise in the possession or control of the applicant.

   Premises will be supplied by means of existing electric lines and electrical plant owned by either Scottish Power plc or Scottish Hydro Electric plc.
9. A statement of the extent (if any) to which the applicant considers it necessary for powers under Schedule 3 (compulsory acquisition of land etc) and under Schedule 4 (other powers etc) to the Act to be given through the Licence for which he is applying.

   The applicant considers it necessary for the full powers under Schedule 3 and Schedule 4 of the Act to be given through the Licence to the extent that they are necessary to enable the applicant to carry out its licensed activities.
10. Details of any licences held, applied for or being applied for by the applicant in respect of the generation, transmission or supply of electricity.

    The applicant holds a current Electricity Generation Licence and a current Private Electricity Supply Licence for England and Wales.

Copies of maps relevant to this application have been lodged in accordance with Regulations 6 of the Electricity (Applications for Licences and Extensions of Licences) Regulations 1990 at Regional Offices of the Office of Electricity Regulation. Copies are available for inspection by the public between 10 am and 4 pm on any working day.

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BANKING FINANCE & GENERAL

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FINANCIAL FUTURES AND OPTIONS

Wednesday March 13 1991

European exchanges are offering more opportunities for futures and options traders as the influence of the once dominant US markets fades and competition from over-the-counter products increases. **Deborah Hargreaves** looks at a growth industry

Derivatives come of age

THE futures industry in Europe is on the brink of substantial growth in the next 10 years as users become more confident of huilding derivative instruments into their portfolios.

But cntthroat competition between brokerage houses and exchanges and a struggle to push new products on to unprepared retail customers could further harm an industry with an already poor image.

The growth of derivatives trading in Europe is scaring the Chicago exchanges, bruising the confidence of these institutions which led the industry from an almost unassailable position.

They are struggling to find new products that will stimulate trading volumes and have even lessened the competition which once existed between them.

The stranglehold Chicago once held on the derivatives industry has heen loosened and business has spread more evenly throughout the world. However, electronic trading could concentrate that volume again on one screen system. At least, that is what the Chicago Mercantile Exchange is hoping.

The exchanga joined with Reuters and, later, the Chicago Board of Trade to develop such a system: Globex. It is promoting it as an industry standard which could embrace the world's leading futures products.

But the world has become impatient with its repeated delays and many exchanges are pushing ahead with their own systems.

In any case, it is not yet clear if electronic trading will be in the vanguard of the 1990s. Indostry pundits who predicted that all futures trading would move on-screen over the next decade have been less andible as new electronic exchanges have suffered their technical problems and traders have gone cold on Globex.

The recent growth of exchange trading, whether on-screen or open outcry, has proved no match for the busioess that is growing in the unregulated twilight away from traditional exchanges. In Europe and the US, over-the-counter business is growing at a faster rate than volume in exchange-traded prodncts – although their comparative importance is difficuit to judge because of the lack of available information about off-exchange trading.

Off-exchange prodncts can be tailor-made to the individual's requirements. Investors can make huge trades in a far less public way as long as they have confidence in their counterparty's creditworthiness. All this can often be done at fees below the commissions charged on an exchange. These are the attractions of a flexible over-the-counter market.

The swaps market is probably the best example of the phenomenal growth potential of these sorts of products. The volume of swap transactions between banks and investors has almost doubled each year since its inception in the early 1980s and the value of swaps business now stands at more than $1,000bn.

But the long-running row in London over the legality of interest rate swaps which were undertaken by the London Borough of Hammersmith and Fulham, highlights the susceptibility of these new markets to legal uncertaioty. The Hammersmith and Fulham case was finally settled in the House of Lords which ruled all UK local authority swap transactions illegal.

International banks have beeo enraged by the uncertainty which has enveloped the UK interest rate swaps market since the start of legal action against Hammersmith and Fulham.

But this has been a problem between professionals and the difficulties would be magnified if retail customers were involved.

In the US, the futures regulator, the Commodity Futures Trading Commission, has made several, albeit rather blundering, attempts to bring some of these hybrid off-exchange products under its jurisdiction. But trade between professionals is expected to remain exempt from regulation.

The people who need protection in this amorphous area are the unsuspecting retail investors, increasingly targeted by brokers trying to sell an array of derivatives. Equity warrants, covered stock warrants and stock index warrants are big business for hrokers pitching to individual investors.

But these products are often overpriced and illiquid. Retail clients can find themselves stuck with a losing investment for which the brokerage house will oot make a market. And this is an area which has beld out the temptation of growing profits for many beleaguered brokers.

It is virtually without regulation, which means that sharp practices could often go undetected.

In the UK, the Securities and Investment Board has done little to address these prohlems in the warrants market although it has stressed that private investors must be protected against losing all their money on derivatives.

This has been most evident in the SIB's efforts to draw up rules for new futures and options funds which will probably be launched in the UK next year.

These regulations will create a new market in the UK by allowing futures and options funds to be marketed to individuals as a kind of unit trust. Many companies are positioning themselves to enter that market, hut it remains to be seen if there will be much demand for this plethora of new products. Awareness and knowledge of derivatives in the UK is still at a low level and the markets must try and shed their popular speculative image.

Whatever demand there is for futures and options funds, their creation will add to volumes on the Londoo International Financial Fntures Exchange (Liffe) which is already outpacing growth at its French rival Matif. In addition, many UK pension funds are on the hrink of turning their attention to derivatives and some leading players such as investment managers Fidelity are planning to move into the markets this year.

Liffe has a unique opportunity in its merger, now expected towards tha end of the year, with the London Traded Options Market to create a derivatives superstore with a variety of hybrid products. It will dent London's position as a centre for financial derivatives if it allows technical disagreements over how to combine the two clearing systems to defeat the plans for amalgamating the two markets. The position of London's exchanges in equity derivatives has long been weak, a fact which has been further emphasised by the unexpected success of soma continental exchanges in the field.

Europe is proving a rich region for futures business as a variety of small exchanges compete in cross-horder trading.

The Deutsche Terminbörse, Germeny's screen-hased futures and options exchange, has mounted a challenge to Liffe's German bond futnres contract. But so far, it has done little to dent the London exchange's supremacy.

Competition In derivatives has always helped to prompt innovation and, in any case Frankfurt has a strong argument for trading its own bond product.

Bnt the creation of many copycat contracts across the world's leading exchanges runs the risk of splitting liquidity and providing a poorer service for investors.

The Chicago Board of Trade has revealed plans to launch a range of European bood contracts, most of which are already traded elsewhere. Similarly, the CME and the CBOT were in competition to launch Japanese stock index futures and the CME's contract is the only one with much success.

However, it is increasingly questionable if there is a need for products to be duplicated at different exchanges, particularly if they are in the same time zone. It could be a waste of users' money and a case of competition for its own sake.

The two Chicago exchanges are talking about combining some of their functions in a bid to cut costs, hut a full-scale merger between the two is probably a long way off.

The CBOT and the CME, whose origins date back to the last ceotnry, have been engaged in a turf battle almost from their inception. The fact that they have now drawn closer to one another, recognising that the real competitive threat will coma from outside the US, is a measure of the growing maturity of the derivatives industry in Europe.

IN THIS SURVEY

Tracy Corrigan examines over-the-counter products

Where innovation prevails

… over-the-counter options …ket has often led the …hange-traded options market in offering innovative, if …e costly, derivativa products. But high profit margins … coming nnder threat, as …e banks try to claim a …e of the business.

…ptions to buy or sell an …erlying market which are listed on an exchange are …ed over-the-countar, or … options. They are often …re complicated than …hange-listed options, and … not actively traded. Unlika …ures contracts, options give … purchaser the right, rather … the obligation, to buy or …

…ut the technology sur… …nding straightforward OTC …ions, such as options to buy …sell a currency at a set rate, … become widely understood. …h options are now considered to be "commodity" products, for which high premiums … no longer be charged, distinct from the proprietary …uctures once associated with … derivatives market.

…n a bid to distinguish themselves from the growing throng … banks which now offer …instream options, some …ding banks are switching tack. Their new strategy is to present themselves as advisers who can manage the whole range of their clients' risk and market exposure.

Europe's large companies are sophisticated users of interest rate and currency options, which allow them to hedge against potential loeses tbrough fluctuations in exchange and interest rates, and many now have treasury departments which can structure hedges.

By structuring options to an individual company's particular requirements, there is a trend towards more complex, and lucrative, business.

Bankers marketing OTC options also concentrate on products which are harder to structure and differ from producta availahle on tbe exchanges. Sometimes it is merely a question of longer matnrity or more unnsual underlying products.

But new types of option are becoming more broadly used, for example, "average-rate" options, which give holders the right to huy or sell an underlying market not at a pre-determined strike price hut at the average price over tbe duration of the option; "look-hack" options, whicb give the right to buy or sell at the lowest or highest price an index or commodity has reached during a period of time; and "you-choose" options, which may have a three-year life, but can be used as either a call or a put during, say, the first year.

Banks see the market growing so that investment managers also take constant advice on risk management of portfolios.

In this market, a strong, preferable AAA, credit rating is an increasingly important asset for hanks which write options, as fund managers in particular have hecome very conscious of counterparty risk. Lesser-rated banks are looking for various ways to circumvent the prohlem, by using special-purpose vehicles to write options, for example.

But so far fund managers have been slow to enter the market partly because of their innate conservatism and also because they are regulated in their use of such products. It remains a largely untapped market for banks, hence their enthusiasm for the husiness. However, tbeir awareness of the use of sucb products appears to heve increased during the Gulf crisis, when volume in equity index products rose sharply, as the market's volatility increased.

Equity-linked products still provide banks with the healthiest returns. In particular, high margins are built into retail-targeted products sucb as covered stock warrants.

But hnsiness has suffered from the poor performance of covered warrants in the past year. Apart from their weak showing, the main complaint against covered warrants has been tbeir extremely poor liquidity, witb holders sometimes unable to find any price for their paper.

Covered warraots are so called, because tbe sbares which bolders receive, if they exercise their warrants, already exist. Thus, the issuer of covered warrants is usually a bank which has bought up underlying shares. (On the other hand, wben companies issue warrants, usually in conjunction with bonds, it is generally a means of raising funds by creating new shares if the warrants are exercised.)

The retail-oriented warrants market is renowned for charging investors a lot. More sophisticated institutional investors generally will not buy covered warrants, considering them too expensive. For banks, apart from the initial risk, the technical expertise involved is limited.

But retail investors, via hrokers in the UK and banks with strong European networks, have hought suhstantial amounts, and bave not generally done well.

Nevertheless, the recent rebound in stock market prices is nourishing hopes that the covered warrants market, dormant since the start of the Gulf crisis, will return to form.

In tbe UK, at any rate, forthcoming legislation allowing unit trusts specialising in futures and options may shift retail investor interest towards new types of products expected to offer greater liquidity.

It is not yet clear wbetber increasing competitioo will mean a better service for investors. Not all banks are willing to make a market and provide fair value in trading. Margins are often extremely wide, and investors wbo have participated through warrant funds may not have fared better.

But experienced market participants agree that tbe market for covered warrants will inevitably make a comeback, as soon as there is another strong bull market for equities.

Simon London looks at approaches to financial risk management

How returns are protected

THERE are as many approaches to risk management as there are corporate treasurers. This is evidenced by the way in which treasury services are organised within a company and the range of risk management products used.

At one end of the spectrum, big companies often organise treasury operations as discrete profit centres within the group. These finance subsidiaries supply risk management services to group trading companies.

Tate & Lyle and Cadbury Schweppes are examples of this approach. It is notable both have long experience of trading in the commodities markets for sugar and cocoa. This experience in commodity risk management has encouraged the board to embrace financial risk management.

For example, Tate & Lyle International Finance has been providing treasury and banking services to group companies for the past five years. It now employs 13 people including traders, bankers and systems support engineers.

According to Mr David Creed, Tate & Lyle group treasurer, the finance company's main function is to supply liquidity to the group.

One side of this involves borrowing centrally and lending-on to subsidiaries. Indeed, Tate & Lyle International Finance charges a margin of 0.375 per cent on monies lent within the group.

The other side to liquidity management is risk management. The company uses a range of swaps and forward rate agreements to hedge interest rate exposures, and will write its own options to cover currency exposures.

For example, a Tate & Lyle subsidiary with a stream of dollar income might hedge its currency translation into sterling by buying a currency option written by Tate & Lyle International Finance.

Cadbury Schweppes employs similar methods, preferring to write its own options contracts than buy tailor-made options from banks or use exchange quoted instruments.

However, not all companies have the resources to operate a treasury department that can write its own risk management products. Smaller companies have to choose between buying over-the-counter options from outside institutions or buying exchange-listed products.

According to Mr Derek Ross, head of financial management consultancy at Touche Ross, medium-sized companies face problems gaining access to OTC and exchange-listed risk management products.

For example, while all the big clearing banks offer treasury services, the distribution of these services through the branch networks is of variable quality.

Similarly, while the derivatives exchanges can be accessed through a broker, the logistics of starting to use traded options or financial futures can be daunting.

The management and settlement procedures of exchange-listed products are a hurdle for many smaller companies.

For this reason relatively few manufacturing or service companies are confident about operating in the futures markets. The practice of putting up capital as a margin, which may have to be increased if the future performs badly, discourages many treasurers. "It is quite possible to receive several calls in one week asking for an increase in margin," commented one treasurer.

However, a small but increasing number of companies is using financial futures to hedge interest rate risk. For example, Redland, the construction materials group, has been actively managing short-term interest rate exposures in the futures market since the early 1980s.

Mr Stephen East, group treasurer, says the headaches are solved by having direct-debit and administration arrangements with a bank.

Some companies have been burned by bad experiences with exchange options and prefer to buy tailor-made products from banks. Although there is nothing wrong with the exchange products, buying the right product can be difficult.

One treasurer tells the horror story of being sold US-style options (exercisable at any time) when he thought he was buying European-style options (exercisable only at maturity).

This is an extreme example, but for these reasons many treasurers still rely on forward-rate agreements arranged through banks, preferring to lock in at a given interest rate or exchange rate rather than use more complex option-style instruments.

However, Mr Ross noted companies are often blind to some of the drawbacks of buying risk management products from banks. For example, the bank selling an OTC option is taking on an exposure against the buyer. This can mean other lines of credit are then constrained.

Moreover, since the bank has to set aside capital against this exposure, the cost of the risk management product will include the cost of capital.

Neither of these drawbacks exist with exchange listed

Some companies have been burned by bad experiences with exchange options

products, where the credit risk is ultimately assumed by all market participants.

The choice of risk management products by companies also reflects different approaches to risk management itself. Bigger companies often maintain the tools available to companies now make it unnecessary to lock into a forward currency or interest rate.

Option-style products allow companies to protect themselves against the risk of an adverse currency movement, yet to take advantage of any advantageous rate movements.

"We are very cautious about locking in to any given rate. You can never buy economic uncertainty," commented Mr John Grout, director of treasury at Cadbury Schweppes.

Even among those companies which are comfortable with options products, there is a big philosophical divide between those corporate treasurers who hedge all their currency and interest rate exposures and those who hedge only when they forsee an adverse rate movement.

Proponents of the former position maintain that the decision not to hedge an exposure is effectively a decision to take a position in the market. However, Mr Ross warns against counter productive hedging – basing risk management on accounting numbers rather than overall business risk.

For example, a petrochemicals company buying raw materials in dollars may choose to buy dollars at a known forward rate. However, this is counter-productive if the price of the raw material is itself correlated to the strength of the dollar.

Rather than placing the company at a competitive advantage, it may even put it at a disadvantage if its competitors have done nothing.

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Barbara Durr on the growth of US off-exchange derivatives

Plea for a level playing field

FOR Mr John Sandner, the new chairman of the Chicago Mercantile Exchange, the proliferation of off-exchange derivatives is a prelude to catastrophe. He has dark imaginings of a vast scandal in which clever bucksters of unregulated, exotic financial instruments cheat unwary "Mom and Pop" investors.

While the CME and the Chicago Board of Trade are concerned about the public harm that could come from such products, they are clearly most worried about the competitive challange these present to exchange-traded futures.

Mr Thomas Donovan, president of the CBOT, says that while the competition is difficult to quantify, it is enormous and will grow, particularly as new future-like instruments are developed.

The CBOT and the CME have chosen for the moment to fight the expansion of ever more creative, off-exchange financial derivatives by demanding that these products be brought under the same regulatory scrutiny as futures that trade on exchanges. "We want a level playing field," said Mr Donovan.

Tha exchanges have thus vehemently opposed the loosening of the Commodity Futures Trading Commission's (CFTC) exemptive authority contained in the proposed Senate bill, the Futures Trading Practices Act of 1991. Under a provision of the legislation, the CFTC could exempt from its regulatory authority certain hybrid financial products. It is also specifically directed to exempt all swaps, a blanket exception which additionally annoys the futures exchanges.

The CFTC has submitted refinements to the legislation that propose, among other things, a test of a derivative to determine whether 50 per cent or more of its return comes from commodity play. If so, it would claim authority over the product. If not, it could go unregulated.

The concern of the agency appears to be protecting the public from over-the-counter product abuses. In the case of small investors, the protections exchanges offer – a clearing house, creditworthiness standards, audit trails and a fluid secondary market – are crucial. But these concerns would hava less bearing on off-exchange dealings between institutions. Ms Joanne Medero, CFTC general counsel, says the agency views off-exchange products as a "professional's game", and would be likely to create exemptions only for institutional markets.

Amex can boast that it is now the number one market for equity derivatives

This may not satisfy the futures exchanges. But leading institutions who deal in the exchange and OTC marksts say both market places have a role. Mr Jack Lehman, of Shearson Lehman, says off-exchange derivatives have advantages many customers may want. They can offer a tailored product with an immediate execution and a known price.

"I can't think of a single reason why the marketplace should not determina where products are traded," he said.

Moreover, dealers and issuers frequently turn to the futures and options exchanges to hedge the risk they assume in customised principal-to-principal contracts.

Thus, he said the exchanges can benefit from greater volume and customers who learn through off-exchange derivative contracts how the exchanges work, may enter those markets themselves.

While the futures exchanges fuss about the potentially vast business they may lose from the expansion of OTC products, the options axchanges have been moving to reel in some of the demand for new derivatives.

The American Stock Exchange has gone furthest in creating whole new classes of equity derivatives. Mr James Jones, who became Amex chairman in November 1989, spied a niche in the market and leapt to take advantage. Mr Jones's venture, which began with Nikkei warrants in January 1990, had the benefit not only of foresight but of luck. It was just then that the Japanese stock market's volatility created keen interest in such products.

Starting with its first Nikkei warrants last year, Amex now trades 16 new derivatives. It has also added three new types of long-term options. All these have tapped what appears to have been pent-up demand.

Out of Amex's 1990 aggregate equity trading volume, the new equity derivatives – including warrants on foreign stock indexes and foreign currencies, contingent value rights and oil trusts units – accounted for 15.95 per cent. Their posted trading volume reached 530.9m. Foreign stock index warrants alone grew to 13.10 per cent of ths exchange's aggregate volume.

Mr Jones now ssys that Amex, which could only claim to be the number three market for equities and the number two market for options, can boast that it is the number one market for equity derivatives.

The Chicago Board Options Exchange (CBOE) has also jumped into the market with the launch last year of several new classes of long-term options, called LEAPs or Long-term Equity AnticiPation Securities. It began listing LEAPs on 14 blue chip equities last October, and followed with LEAPs on its Standard & Poors 100 and 500 indexes.

Open interest on equity LEAPs reached more than 31,000 contracts in less than three months and S&P index LEAPs have also quickly attracted customers. Trading volume in the S&P 100 index LEAPs went to more than 9,000 in just their first two-and-a-half weeks last December. This summer, the CBOE also plans to list options on three foreign indices, the FT-SE 100 index, the FT-SE Eurotrack 100 and the FT-SE Eurotrack 200.

Notably, both the Amex and the CBOE have discovered that, at least initially, retail customers were the first to pounce on the new derivatives. When Mr Jones launched the first Nikkei warrants he believed it would be an institutional msrket and was surprised to learn the bulk of trading came from retail customers.

At the CBOE, Mr John Roberts, the exchange's marketing chief, observed the same phenomenon. He explained that retail customers can more easily change their investing behavionr and move more quickly in and out of the market, whereas institutions make slower shifts to new investment vehicles. By all estimates, the off-exchange market is expected to continue to grow and perhaps provide some of the greatest innovations in derivative products.

Jim McCallum looks at proposed new regulations for unit trusts

Significant changes likely

IF draft regulations unveiled in 1990 by the Securities and Investment Board become law, there are likely to be revolutionary changes this year in the types of authorised unit trusts available in the UK.

Department of Trade and Industry regulations at present restrict unit trusts in the use of futures and options. Many derivative specialists believe the eventual impact of the expected SIB changes could give a substantial boost to their industry.

About £40bn of investment is locked up in unit trusts and if just a small fraction is hedged in the derivatives market, the impact may be as great as when pension funds were permitted greater access to those markets.

The status of unit trusts is complicated and has been widely criticised. At present, regulations set by the DTI in 1988 govern unit trusts' use of derivative products.

The 1988 regulations were introduced to present a regulatory framework for authorised unit trusts and is based on the European Community Directive of 1985, relating to "Undertakings for Collective Investment in Transferable Securities," known as UCITS. The directive allows derivatives only to be used as part of "efficient portfolio management" and not for speculation.

The directive, which member states were generally required to implement by October 1989, allows unit trusts investing in securities within its framework to be freely promoted throughout the EC.

The regulations are not so straightforward for implementing the directive for unit trust investment within the UK. Under the regulations, authorised unit trusts are restricted to nsing derivative products for hedging. In practice, this is nsually taken to mean that they can use futures and options only to protect the value of existing holdings.

The DTI interpretation of efficient porfolio management means unit trusts are only able to sell index stock futures, write or sell call options and buy puts against holdings of the underlying securities. This can be done provided their use is for the reduction or elimination of risk in the management of the trust by fluctuations in prices, interest or exchange rates.

The SIB proposes to clarify these anomolies. In December 1990 it brought out an important consultative document, CP49, which proposed sweeping changes in the way unit trusts use derivative products.

It is expected that legislation allowing these changes will be in force later this year.

For the securities industry, it will be the changes in regulations relating to efficient porfolio management which are likely to be the most significant, says Mr Alan Wren, chief executive of the Prudential Holborn. Under the proposed changes, unit trusts will be able to use derivative products for transactions aimed at reducing cost as well as risk and to enhance portfolio returns.

Mr Wren explains how derivatives can be used by nnit trusts. "For existing unit trusts it will smooth out inflows and outflows. Unit trusts can expand when the market goes up and vice versa. So nnit trusts can be forced into the stock market and these conditions can make it particularly difficult to get the stock required."

He believes that if the proposed changes on efficieot porfolio management are implemented it will be beneficial for the whole industry.

"A manager can painstakingly build up a porfolio but then find a sudden change is needed. Derivatives allow the manager to hold on to the core shares in the porfolio and use derivatives for shifting exposure."

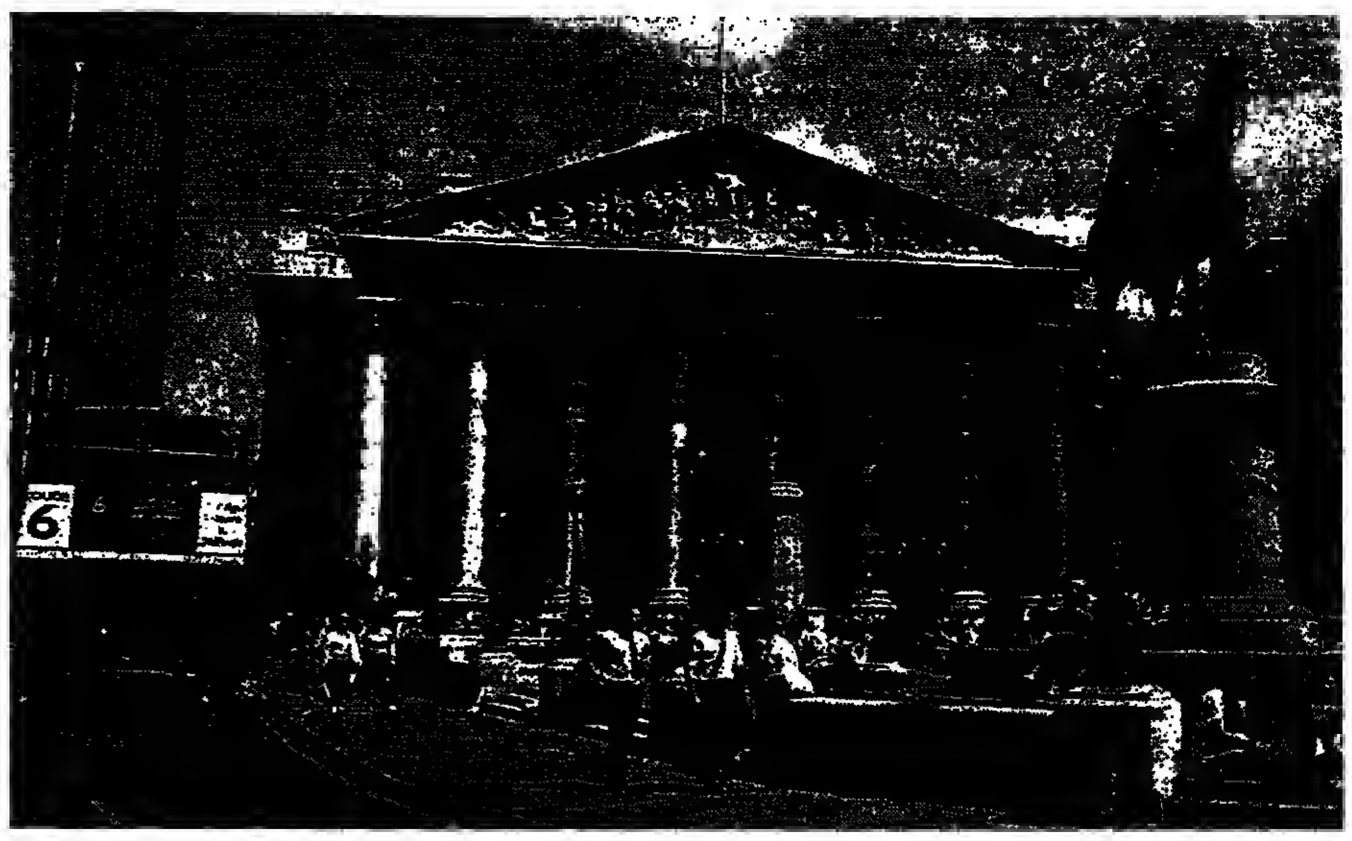
The importance of the changes was underlined by a recent survey by KPMG Management Consulting. Of the 10 largest unit trusts, it found that at present four use derivatives, five do so only on a limited basis, while one does not. But when asked about ths proposed changes relating to efficient porfolio mansgement, eight said they intended to increase their use of derivatives, one said possibly and the other no.

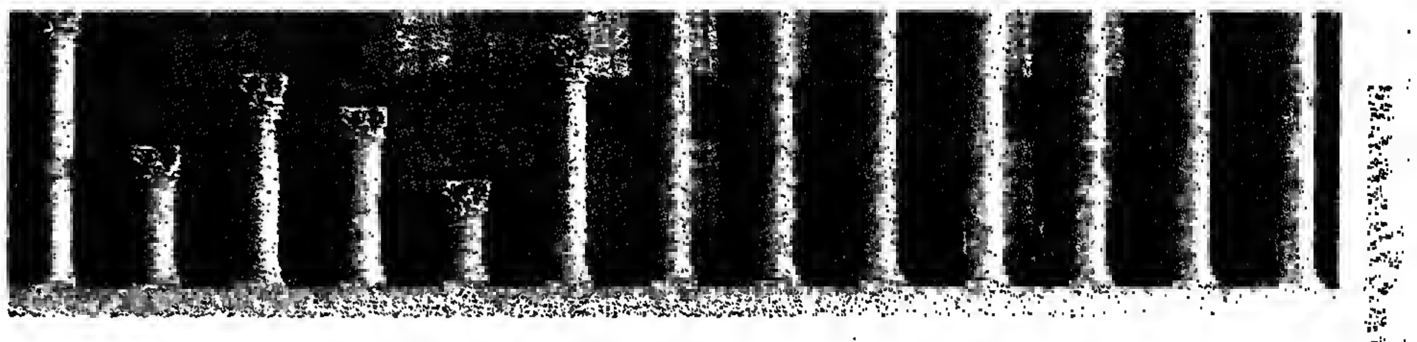
The other main area of change, has been that of allowing the creation of authorised futures and optioos funds, which could be marketed to the general public. At present a number of unauthorised futures and options funds are available in the UK, bnt they are restricted in whom they can sell to.

The SIB has proposed four new categories of authorised unit trusts: lower-risk futures and options funds; higher-risk or "geared" funds; warrant funds; and property funds. These proposals have stirred controversy in the unit trust industry, although many of the larger funds accept the need for change.

Mr Trevor Robinson, director of derivatives at Fidelity, said some funds believed unit trusts should not be the vehicle for futures funds. But the Fidelity thought they would be popular, using derivatives to promise to maintain the value of an investor's capital. "Such a fund would sell well," he said.

Unit trusts' interest in these specialist funds was underlined in the KPMG survey. Only two of the top 10 groups have ruled out the launch of a futures and options unit trust. Two trusts say they will definitely launch a futures and options fund, while eight out of 10 are considering the launch of a geared fund. Only two said they would definitely not launch a geared fund.





FT writers investigate the progress made by the derivatives industry in attracting investment from US and UK pension funds

Institutional interest quickens after tax changes

FOR many years UK futures and options brokers have looked jealously to the US, where s huge derivatives industry is supported by leading institutional investors. US fund mansgers are familiar not only witb the uses of stock index futures in hedging portfolios but also options, with their greater technical sophistication.

Informing institulions about derivative products takes time and tbere is little hrokers can do but try to educate fund managers. But understanding also comes with increased use and last year a formidable obstacle was cleared from the path of institutions seeking involvement in derivative products.

In the UK budget, the then cbancellor of the sxcbequer, John Major, bowed to years of lohbying and proposed to exempt pension funds and

Informing institutions takes time and there is little brokers can do but try to educate fund managers

authorised unit trusts from tax gains arising from the use of futures and options. So far the main impact bas been on pension funds. Further changes regarding unit trust's use of derivatives will come later this year.

The Finance Act in July cleared tbe way for traded options and futures to enjoy a more favourable tax treatment than that of their underlying securities. Now, gains from futures and options are treated as capital rather than income.

Have the changes resulted in an increase in institutional interest? In the case of stock index futures the answer would seem to be a definite yes. The figures from the London International Financial Futures Exchange show that in 1990, turnover in the FT-SE 100 index futures contract rose by 40 per cent.

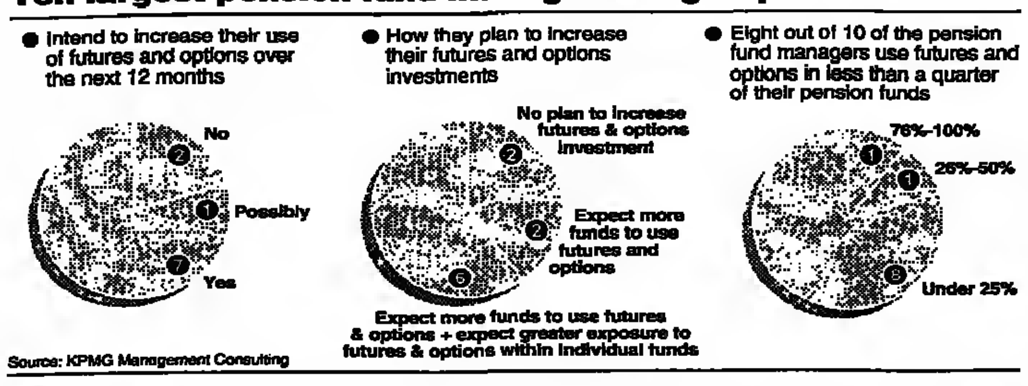
Mr Paul Hilton, head of derivatives research at James Capel, says there has been an increase in derivative products since the regulatory cbanges last year. "This has definitely reflected greater interest from tbe pension fund community as a resuit of tbe tax changes."

The build-up of pension fund activity in derivatives since last July bas so far been steady. Most independent analysts believe only a minority of all pension fund managers use futures and options. Of the larger funds, most are now active in derivatives altbougb even these important players still expect to develop the use of these products.

A survey by KPMG Management Consulting of tbe leading pension funds confirms this impression. Nine out of the UK's 10 top pension funds use futures and options in their funds, with the other one using options only. But out of these 10, eight use futures and options for only 25 per cent or less of the total number of pension funds managed.

The likelihood of further use of derivative products is also confirmed by the survey. Seven out of 10 say they are likely to increase their use of futures and options over the next 12 months, while one says it will possibly increase its use of derivatives.

Ten largest pension fund management groups



Source: KPMG Management Consulting

Tbe reasons for tbe slow build-up of interest in futures and options are varied. Partly it is education. Some fund managers are still learning about derivatives. Otbers do not have the systems in place to deal with derivatives. Many leading fund managers still privately complain about the lack of skilled personnel.

Another barrier is the resistance of some trustees. While it is tbe fund which is charged with the responsibility to manage the investment, it is the trustees who must answer to the people who invested with them to provide a pension.

Trustees hy their very nature must be cautious and this particularly applies when a fund manager is asking their permission to allow him or her to hedge some of their funds in the derivative market.

The image of the futures and options market can also deter some trustees and makes many more simply resistant to such a move. The bad publicity from the Federal Bureau of Investigation's investigation into the Chicago futures markets and the occasional publicity from a bankrupt speculator who has built up large positions without the hacking of cash or undarlying securities is a worry.

According to the KPMG survey eight out of the 10 pension fund managers said they had experienced some resistance to futures and options investment from pension fund trustees. Of those eight, two stated it was one of the main obstacles to such investment that they faced.

But Mr David Hager, an investment partner at actuaries Bacon & Woodrow, said pension fund trustees hsve become more aware of derivatives since the budget changes

The bad publicity from the FBI investigation into the Chicago futures market is a worry to the industry

and want to become involved. Many will go along with the fund managers requests. Some trustees have denied permission because the fund manager did not present the case for derivatives well enough. As for others: "If the trustees think it's speculation, the fund manager tends not to push it."

The argument which fund managers often use is that they will have lower returns if they cannot use futures and options. But, according to Mr Hager, the additional returns to a fund from futures and options are less than 1 per cent.

The real benefit of derivatives is that they allow a pension fund manager to alter exposure to domestic and overseas equities markets cheaply and efficiently. This re-shuffling of exposure without altering the holding of underlying securities is known as asset allocation.

With stock markets sometimes too illiquid to execute large purchases or sales of shares, the attraction of altering exposure to the whole market using futures is obvious. As Mr Hilton says: "Trying to get rid of a large amount of equities and bnying others could take several days or weeks. In a single precise transaction one can alter exposure." This is reflected in the KPMG survey which found eight out of 10 fund managers use derivatives for asset allocation trades, while only seven out of 10 use it for hedging purposes.

Jim McCallum

It's a long-term sell for account advisers, writes **Barbara Durr**

Ever-conservative funds are playing hard to get

MANAGED futures account advisers are engaged in a fervent courtship of US pension funds. But the ever-conservative funds are playing hard to get.

"It's a long-term sell," said Mr Marc Goodman of Kenmar, a managed futures advisory firm in New York. "But if you're willing to do it, the pay-off is enormous." Were US pension funds to channel just a tiny fraction of their $1,500bn in assets into managed accounts, this segment of the futures industry might find itself awash in money. But futures firms say that, in spite of their best efforts at wooing pension funds, a payoff is at least a year or two away, and probably longer.

Pension funds are, however, giving clear signs that they are interested in knowing more about such investments even if they are not ready to take the plunge. And this has spurred hopes among managed futures advisers.

Mr Grant Schaumberg, president of Mt Lucas Management in Princeton, N.J., which handles the Eastman-Kodak pension fund monies that were the

'Managed futures will be recognised as an asset class over the next 10 years'

first to experiment in managed futures, says that its annual symposium for institutional investors has seen "exponential interest". In the past two years, attendence shot up from just 20 bona fide institutional representatives to more than 80. And for this year's conference in May, Mr Schaumberg claims "interest is very strong". Eastman Kodak pioneered pension funds entry into managed futures in 1987 with a $50m investment and has since increased the amount to some $250m.

Kenmar is testimony to the diligence with which managed futures advisers must pursue their goal. It has been playing suitor to one pension fund for three years while developing contacts with others. Mr Goodman has said he expects investments by pension funds to be "a trickle in the next year or two, but over the next five to 10 years there'll be an explosion.

"We're starting to go a little faster, but we're not anywhere near a bandwagon effect. It's probably where mutual funds were back in the 1950s."

Mr David Love, president of Monmouth Capital Management in San Diego, believes that his firm is close to reeling in at least one significant pension fund client and another four are "on the line".

He says managed futures "will be recognised as an asset class over the next 10 years", but that for the safety-minded funds "to break ground and do something new it takes a lot of resolve". He foresaw the greatest possibilities in public employee pension funds, which have a greater cash flow than most corporate pension funds.

So far, pension funds have experimented very tentatively with managed futures. Most institutional money managers have yet to be persuaded that managed futures are a legitimate asset class rather than speculation.

Pension funds account for just over $1bn of a total of some $12bn in managed futures to date, according to Mr Leon Rose, publisher of Managed Accounts Reports, which

Pension funds have experimented very tentatively with managed futures

tracks such investments. Other than Kodak, Mobil Oil, the Detroit Police and Fireman and Massachusetts state employees are reported to bave made tha leap into managed futures.

The state of Virginia's public employee pension fund has also recently authorised a search for managed futures advisers. And some believe that Boeing's pension fund may make a move.

Managed futures accounts are carefully structured to include a selection of futures contracts and a number of trading strategies to yield the highest and most stable return. Most are tailored to clients' needs.

Their appeal has been growing for several reasons. Their performance has been superior compared to that of equities markets. While most measures of equities markets declined last year, many futures funds had banner years.

Managed futures have the benefit of a low correlation with other assets, such as shares and bonds. This means they are likely to perform well when other assets perform poorly. While the equity markets, for example, are driven by stability, the futures markets are driven by market disruptions and disequilibriums.

This is a powerful argument for diversification of an institutional investor's portfolio, managed account advisers say.

Many pension fund managers also find themselves in a search for alternative investments now that the attraction is gone from venture capital, junk bonds, oil and gas leases and real estate.

Yet for pension funds, which are carefully regulated, a number of obstacles remain to investing in the futures markets. Under their regulations, hedging and even s small amount of speculation is allowed, but managed accounts as an investment are relatively new and must meet the criteria of "skill, prudence and diligence" required of pension fund investing.

The first hurdle is thus whether managed futures constitute a genuine asset class or are classed as speculation. As evidence accumulates, this doubt is expected to diminish.

Mr Carlton Anderson of Cargill Investor Services' managed futures division says he believes that the Nobel economics prize last year – which Mr Merton Miller, considered one of academia's top experts on futures, shared with Mr Harry Markowitz and Mr William Sharpe for portfolio theory – will help legitimise futures investing.

The fee structure for managed futures accounts is an issue for some institutional investors. Managed futures account advisers typically charge a 2 per cent management fee and another 20 per cent incentive fee on net new profits. But the fee structure is comparable to that for venture capital.

Concerns about risk and predictability on returns and performance also give pause to institutional money managers. Commodity funds and accounts can fluctuate wildly, even if the overall trend is up, and any investor must not scare easily.

But bravery is likely to come with numbers. "Once some start to do it, others will feel more comfortable," said Mr Love.

Barbara Durr on the world's two largest futures exchanges

World market share shrinks

THE world's two largest futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, have adopted a new strategic perspective. No longer do they consider each other the main competitive threat for futures trading. They now jointly see their keenest challenge in competition from other exchanges around the world.

The Chicago behemoths of the futures business once almost entirely dominated futures trading. But they have steadily seen their world market share erode as new exchanges have emerged around the globe.

In 1990, the combined world market share of the CBOT and CME held at 47.8 per cent, roughly what it has been over the past few years. But what worries Chicago exchange officials is that a number of top international exchanges are capturing much of the new business in futures and enjoying extraordinary growth.

The London International Financial Futures Exchange (Liffe) and Paris's Marché à terme international de France (Matif), the two largest non-US exchanges, for example, posted record trading volumes last year. According to figures from the Futures Industry Association, volume on Liffe swelled 43 per cent to 34m trades, while Matif notched a 10 per cent gain to 28.6m.

The CBOT last year posted an 11.5 per cent trading volume increase over 1989, with a total of 120.7m contracts changing hands. The CME's volume fell by 1.6 per cent, with 84.8m trades.

As the new age of international competition has dawned on Chicago, the two exchanges have put aside their traditional rivalry to explore how they can co-operate. The first and most crucial instance of this new camaraderie was the decision last year by the CBOT to join the CME in Globex, the after hours electronic trading system due to be launched this summer.

Chicago Board of Trade: fighting foreign competition — Ashley Ashwood

Globex, perhaps more than any other effort the exchanges are making, aims to capture some of the futures business overseas which Chicago's hours do not now permit. Mr John Sandner, the chairman of the CME, has said he wants Globex to become in the futures industry what Cable News Network (CNN) is to television, a worldwide omnipresent network.

The two exchanges have put aside their rivalry to explore how they can co-operate

Globex, developed by Reuters, is due to begin testing at the end of the first quarter and is expected to be ready for a launch by summer. Terminals in Paris at Matif, the first non-Chicago exchange to sign on to the Globex system, are not due to be up until about six months later.

The CME and CBOT say they have begun talks with the New York Mercantile Exchange (Nymex), the US oil market, the London International Financial Futures Exchange and the Singapore International Monetary Exchange (Simex) to join as partner exchanges in Globex. They will also seek other partners in time.

As part of their efforts to reduce costs and to make transactions in Chicago less expensive, the two Chicago exchanges are co-operating on other technology. They are jointly developing a hand-held electronic trading card, known as Audit, that will vastly improve the audit trails and so improve exchange and regulatory surveillance for trading abuses. They are also likely to consolidate their foreign representative offices in London and Tokyo.

Chicago's exchanges have also begun fighting foreign competition by launching a series of new products, especially ones with foreign appeal. Last year, for example, the CME began trading Nikkei index futures and the CBOT started futures on Japanese bonds and the Tokyo Stock Exchange index, Topix. And this year, the CBOT plans an entirely new complex of futures on insurance, while the CME plans to trade six currency cross-rate futures. The CME has applied for CFTC approval to trade futures for cross rates of the D-Mark/British pound, Yen/pound, Swiss franc/pound, Yen/D-Mark, Yen/Swiss franc and Swiss franc/D-Mark.

In addition, officials from the CBOT and CME are working together to thwart what they see as a regulatory threat to the US futures industry. The US already has the world's most vigorous regulation of futures trading, and the exchanges fear that any further tightening of rules – which will mean additional costs – could drive business overseas.

They are fighting a 13 cent transaction tax on the sale and purchase of futures proposed by President George Bush in his fiscal 1992 budget. CBOT chairman Mr William O'Connor fumed: "What kind of policy is it to levy a tax on America's financial exchanges when exchanges around the world are reducing or eliminating theirs?"

The tax would sap liquidity from the markets, the exchanges say, because small local independent traders would not be able to bear the increased costs.

Katharine Campbell reviews the new German exchange

Late starter tries to catch up

"THE recently introduced futures contracts demonstrate that it is difficult to compete with an estahlished foreign exchange, even if the market – in this case the DTB – could catch up in the future."

Mr Karl Thomas, president of the central bank of the state of Hesse, is expressing a worry prevalent among those promoting the country's somewhat lagging financial aervices industry – that Germany made a possibly fatal late start in the derivatives business.

When the Deutsche Terminbörse (DTB), a fully antomated exchange initially listing 14 options on hlue chip atocks, opened at the end of January 1990, important D-Mark denominated contracts were already established elsewhere. A future on the 10-year government bund was flourishing at Liffe in London, and Liffe and Matif, the French exchange, were competing for volume on a short-term D-Mark interest rate product.

Instead of starting with futures products in an immediate attempt to fetch back natural domestic business, the DTB did not introduce futures until late November last year. Then the exchange began trading a future on the DAX index of 30 blue chip stocks, and a bund future almost identical in specifications to the Liffe instrument.

The DAX, not traded elsewhere and hence not open to invidious comparisons in terms of rival volumes, is reckoned to be developing satisfactorily, with an average turnover of just over 3,000 contracts a day last month. It still remains a long way from being able to accommodate the huge orders enthusiastic Japanese brokerage houses apparently try to pass though the system.

Stock options have also been a success in their first year. Last month daily volume in all atock options averaged over 43,000 contracts – even if turnover is heavily concentrated in four or five stocks. In January and February the DTB eurpassed volumes on other long-established if not terribly successful European exchanges, notahly the London Traded Options Market (LTOM) and the European Options Exchange (EOE) in Amsterdam. The embarrassing failure to date has heen the hund future, where daily volume in February was just over 4,000 lots a day – less than a tenth of the 53,000 lots averaged in London.

The main problem for the DTB is it started with both hands tied behind its back

In December, a note from the exchange to its big bank members urging them to support their home market in which they have invested so heavily, prompted Deutsche Bank's Mr Rolf Breuer, who is also chairman of the DTB, to suggest that his bank would "give preference" to Frankfurt for its own account trading. Embarrassingly little then happened, although Mr Breuer said only when the March contract on Liffe ran off, as it did at the beginning of this month, would Dentsche nnwind significant open interest positions in London for transference home.

The principal prohlem for the DTB is that it has effectively started with both hands tied behind its back. Not only did Liffe have a product it had been successfully retailing for more than two years – and the history of other exchanges prising away business in those circumstances is not encouraging – but the competition was also one of eystems.

Asked the secret of Liffe's euccess over the DTB, Mr Michael Jenkins, chief executive, says simply: "We have a superior trading system, and that does not just mean open outcry." Mr Jenkins is referring to London's development of APT, an electronic after-hours facility that tries to replicate as far as possihle on screen the culture and quirks of the physical pit on which Liffe still relies for the bulk of the trading day. Futures traders on the whole give APT high marks, hut then it was conceived in a quite different way from the DTB.

By contrast, tha German software grew out of an options system. Adapting it to the demands of futures trading – a quite different disciplina from options – has proved perhaps trickier than first envisaged.

The crucial feature of a successful futures facility is that it permits very heavy trading in extremely short periods – easier to achieve on a trading floor, hut not impossihle to achieve on screen. With options, the mathematical complexities and the number of different combinations of trades, are more suited to a computer setting.

The DTB gets high marks for complexity and sophistication – too high, according to some. "It's like Tolkien – fascinating hut do you need it?" was one trader's opinion.

But the DTB'e main problem is slow response times during relatively husy periods. Indeed, the exchange has already established that it requires new hardware – made particularly clear when capacity problems surfaced after a record day of more than 94,000 contracts following the outbreak of the Gulf war. More powerful hardware will undouhtedly help, hut the sceptics still suspect that even then the DTB will remain superior as an options rather than futures trading place.

However, when the new hardware is in – probably hy the middle of the year – Mr Jörg Franke, DTB chief executive, wante to pereuade his supervisory hoard of leading German hanks to allow terminals to be located ontside Germany. To date, the hig banks have discouraged the idea for fear of losing hroking husiness – another example of how the banks have teoded to impede the development of the exchange.

Its international rivals at heart believe that the DTB will be made to work not least hecause it has represeoted such a huge investment – more than DM110m for the exchange alone, without the banks' own in-house preparations. At preseot the German banks are only just gearing up to derivatives – and it appears that they may not have been using the bund on Liffe as actively as was thought. The banks have dooe little marketing of futures to end users – such as corporates or fund managers – and the DTB itself takes a much more relaxed attitude to marketing than Liffe which has learned the importance of preparing the ground for a contract well before its launch. All that will have to change if Germany is to repair its late start.

COMMODITIES AND AGRICULTURE

US metals markets cash in their peace dividends

Post-war euphoria has lifted prices but the outlook remains uncertain, writes Barbara Durr

IN THE US commodities markets post-war euphoria has carried metals prices higher. But opinion remains somewhat divided in large US trading houses about what exactly is in store.

Some analysts believe that the wave of optimism that has infected the markets will fade as the US economy fails to bounce back in the way that the current conventional wisdom suggests that it will. Others, observing the lowering of US interest rates and decreasing fears of inflation, believe the current rally is the beginning of the end of the US recession.

The most commonly voiced scenario for the US economy is that it will receive a boost from increased consumer confidence now that the war is over and that it will begin picking up speed in the second half of the year. This would, for example, mean increases in sales by cars manufacturers, big users of copper, aluminium, zinc, lead (for batteries) and platinum (for exhaust-cleaning catalysts).

Platinum would also be expected to benefit from an upturn in sales of electronic goods, while a rise in jewellery purchases would be helpful for gold and silver.

But says Mr John O'Connell, chief of research for Refco, the large futures commission merchant, "I see little real evidence that the end of the war will stimulate demand and all the structural problems that were there before the war are still in place."

"All the structural problems that were there before the war are still in place"

Mr O'Connell and other sceptics argue that the current drift upward in prices is partly an overdue technical correction from the depressed situation in which metals had been for some time.

Mr William O'Neill, senior futures strategist at Merrill Lynch, calls the current lift in prices "an end-of-the-war micro-rally" and suggests that once the euphoria wears off prices will resume the earlier downward trend, though without falling heavily. "There are no dramatic new fundamentals," he said.

The other school of thought contends that the current post-war optimism is just the shot in the arm the US economy was in need of and that better times are just around the corner.

The recession is not over, but "there's light at the end of the tunnel," says Mr Ian MacDonald, an analyst with Credit Suisse in New York.

In the metals markets, "there are expectations of a steady path to recovery," according to Mr Peter Cardillo, director of commodity research at Jesup Josephthal in New York. He agrees, however, that the recent rally has been in part technical, following a long period of very oversold positions.

While it is not unusual for metals prices to rally on the first signs of recovery and correct soon after, there may be additional muddle in the American markets. A US recovery, particularly if it is less than robust, may not deliver as much good news as some traders think.

Mr David Hale, the chief economist at Kemper Financial Services in Chicago, points out that the US accounts for a much smaller proportion of world metals consumption than Europe and that metals traders may be inadequately discounting the magnitude of the economic slowdown now occurring on that side of the Atlantic.

He notes that the US share of world metal consumption is much smaller now than it was 20 or 30 years ago and that, as a result, metal prices now track the world economy, not just the US GNP.

In any case, analysts have been close to consensus on two issues. Silver is believed to have stretched a little ahead of itself last week and this week's fall has come as no surprise. World overproduction remains a problem, while there is little evidence of new real demand, analysts say.

But they believe gold market may have been fundamentally changed by the Gulf war. Gold initially shot up after the invasion of Kuwait to about $420 and then dropped and stayed below the $400 mark – well below what expectations of its role as a safe haven historically would have led many to expect.

Mr Cardillo notes that the market had been depressed for the duration of the war by a steady stream of gold sales by Saudi Arabia and Kuwait, which sold the metal for money to support the war. The end of the war has thus brought a sigh of relief for gold traders, who now believe the pressure may be off from Middle Eastern gold selling.

But another factor that kept gold down was that the markets were also looking closely at the recession. "That turned out to be a more powerful force than the war," says Mr MacDonald.

Fresh downward pressure for gold now is coming from the perception of some analysts that the US dollar may have already bottomed out and will rise in value by some 10 per cent over the next 12 months. According to Mr Warren Myers, a gold market analyst at Merrill Lynch, that would not mean that gold will decline by a corresponding 10 per cent. He reckons that $350 is a floor, because at that price demand by the jewellery trade picks up. Yet most in the trade seem to believe that a price over $400 is unsustainable.

More damning still for gold is the belief that the Gulf war has ended an era for the yellow metal. Unlike the past, there was no flight to quality, out of currencies for example, to gold. "The war put the nail in the coffin of gold as a safe haven," says Refco's Mr O'Connell.

Silver market goes into reverse

By Kenneth Gooding, Mining Correspondent

SILVER'S RECENT rapid rise in price from the lowest level for 17 years went into reverse yesterday. At the morning price fixing session in London, silver dropped to 397.90 US cents a troy ounce, down about 16 cents from Monday's close.

During the rest of the day the price behaved in roller-coaster fashion before closing in London at 404.50 cents an ounce, down 10 cents.

"Post-Gulf war euphoria has now evaporated," said Ms Rhona O'Connell, analyst at Shearson Lehman, part of the American Express banking group. She thought this was mainly responsible for silver's fall although news that a strike at the Met-Mex Penoles smelting complex in central Mexico was expected to end this week also helped the process.

Penoles accounts for about 10 per cent of the western world's annual new silver output and has been strike-bound for 26 days. But Ms O'Connell pointed out this was fundamentally irrelevant because there was about 20 years' supply of silver in stock above ground and the industry continued to generate an annual supply surplus. "Fundamentally, silver does not deserve to be above $4 an ounce but that is an important psychological point and the price might hold there for a while," she added.

Silver touched 350 cents an ounce briefly two weeks ago. Dozens of primary silver mines were driven out of production as it made its way down. When the Gulf war ended the price rebounded by nearly 20 per cent in less than two weeks.

Platinum which, like silver, is being seen increasingly as an industrial rather than a precious metal, also benefitted from the post war euphoria. But profit-taking by Japanese investors yesterday reversed the price rise. Platinum closed US$10.75 an ounce down in London last night at $404.75.

Tax change takes the shine off Australian gold

Production is expected to fall and prospectors are losing interest in the country writes Kevin Brown

AFTER A decade of rapid growth, the Australian gold industry is losing its lustre, but not its sense of humour.

"We know things are difficult because no-one can afford to travel first class or get a box at a sporting event any more," says Mr Robert Champion de Crespigny, chairman of Adelaide-based Normandy Poseidon.

Australia's mines produced a record 222 tonnes of gold last year, making it the world's third biggest producer after South Africa and the US. But there seems little doubt that output has peaked.

The Australian Bureau of Agricultural and Resource Economics says production will rise by only six tonnes this year, before declining steadily to 175 tonnes by 1995.

Some of the miners are even more pessimistic, however. "We expect production to fall to around 200 tonnes this year, and to a maximum of 150 tonnes by 1995, unless there are some significant new discoveries. The minimum could be as low as 90 tonnes," says Mr Peter Walker, managing director of Dominion Mining.

The industry grew rapidly during the 1980s because of a combination of relatively high prices, easily available equity capital and technological improvements in exploration, metallurgy and production methods. But it suffered a double blow in 1987, when the stock market crash helped to dry up capital supplies and the gold price started the fall that has taken it from nearly US$460 a troy ounce to under $370 now.

Most analysts say the price is likely to remain relatively low because gold is no longer viewed primarily as a safe haven for wealth. Abare, for example, is forecasting an average price of US$395 an ounce for this year, falling steadily in real terms to $377 in 1996.

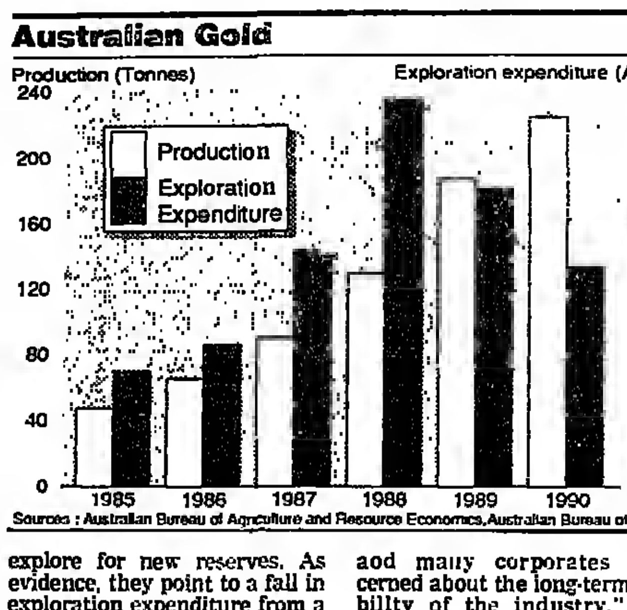
Lower prices have helped to make many mining ventures uneconomic, partly because Australia's largely small-scale mines have average costs about 40 per cent above US levels.

However, the inevitable impact on production has been delayed because gold miners were told in early 1988 that the industry would be losing its exemption from corporate taxes in January of this year. The warning prompted mining companies to produce as much metal as possible by bringing forward processing of high grade ores, and this contributed to a 145 per cent increase in production between 1987 and 1990.

The extension of taxation was part of the Labor government's attempts to create an economic "level playing field" for business by removing distortions that favoured particular sectors.

Mining companies argue, however, that it has damaged the industry by worsening the shortage of risk capital and reducing the incentive to explore for new reserves. As evidence, they point to a fall in exploration expenditure from a peak of A$581m in 1988 to A$335.7m last year. There has also been a sharp fall in the number of new mines being opened, especially in Western Australia, home to more than two-thirds of the industry, where starts dropped from 60 in 1987 to 14 in 1990.

Support for this view is provided by Ernst & Whinney, the accounting firm, which concluded in a report for the recent Australian Gold Conference in Sydney that the tax was seriously distorting the industry's operations. "Australia now has very few projects in the exploration phase. . . many ont of work geologists, aod many corporates concerned about the long-term viability of the industry," the report said.



Sources : Australian Bureau of Agriculture and Resource Economics,Australian Bureau of Stats

The gold tax is not the only thing worrying the industry. Mining companies are also chafing over restrictions on exploration and mining in the wake of increased environmental pressures and continued land rights claims from aboriginal groups. The Australian Mining Council estimates that 26 per cent of Australia's landmass is currently restricted or closed to exploration, while restrictions have been proposed for a further 21.7 per cent.

"Australia's attractiveness for exploration is being diminished by ever greater restrictions on where companies can explore, and ever more complicated and lengthy mine permit procedures," says Mr John Quinn, managing director of Newmont Mining, the country's biggest gold producer.

Two main responses to the industry's problems are emerging:

● Mergers are creating larger units better able to raise capital and plan for the longer term. Newmont, formed through a merger of Newmont Australia and BHP Gold, is a classic example of this process, as is the recent merger of Mr de Crespigny's loosely linked Poseidon and Normandy Resources units to form Normandy Posiedon.

● Australian companies are increasingly attracted to overseas exploration, especially in nearby countries such as Indonesia and Papua New Guinea where their expertise is easily transferable.

PNG has undeveloped gold deposits on Lihir Island, and at Hidden Valley and Mount Kari as well as the better known Porgera deposit. In Indonesia, CRA is moving towards developing the Kelian deposit in Kalimantan, aod Billiton is operating two small gold mines on Wetar Island and at Lebong Tandai in Sumatra.

The Ernst & Whinney report indicates that "significant" sums have been switched to South East Asia by Australian companies since the gold tax was announced and concludes that "such funds would have been invested in Australia had the rules not changed."

Mr Quinn goes further, suggesting that Australian risk capital will be diverted as far afield as British Columbia and South America unless the investment climate in Australia improves. "Newmont Australia. . . has relevant expertise in these geological environments, if governments (federal and state) in Australia continue to promote policies which actively discourage the mining industry they should do so in the full knowledge that that this industry is very mobile and international in its perpective.

"The end result of the continuation of these policies will be a redirection of risk capital into those countries which offer no less an exploration opportunity, but a more hospitable investment climate," he says.

Realistically, miners accept that the removal of the gold tax would challenge the government's entire economic strategy. But they say the industry's short-term future is bleak unless the gold price rises dramatically or the government gives some assistance, preferably by allowing exploration expenses to be written off against tax.

Neither appears likely, especially since gold was not even mentioned in the government's wide-ranging statement on industry policy earlier this week. "There is very little sympathy in Canberra," says Mr Walker.

EC pledges aid for fish farmers and processors

By Andrew Hill in Brussels

THE EUROPEAN Commission has pledged Ecu156.3m (£110m) to help develop the marketing and processing of fish products and fish-farming in the European Community.

The support announced yesterday will be spread over three years between 1991 and 1993 and should form part of an Ecu623m investment programme for the processing and fish-farming sector, the bulk of which will come from the private sector.

The EC investments are Community Support Frameworks – jargon for the instruments used to carry out reform of the structural funds, which are made available to poorer regions of the EC.

All member states except Luxembourg will receive a part of this financial package, with Spain (Ecu33.6m), Itely (Ecu20.3m) and the UK (Ecu19.5m) as the principal beneficiaries. Aid for what used to be East Germany will be the subject of a separate commission decision.

A commission official stressed yesterday that the snpport frameworks would be aimed at improving the quality of the product – for example by developing port facilities or processing plants – without increasing capacity.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,720-1,770 (1,715-1,770).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.95-2.20 (2.00-2.30).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 13.70-14.15 (13.50-14.10).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.50-2.55 (2.50-2.60).

SELENIUM: European free market, min 99.5 per ceot, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 45-51 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.45-2.57 (2.45-2.55).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 9.50 (9.70).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-2,925	to 321,575
Copper	-50	to 209,100
Lead	+50	to 73,200
Nickel	-384	to 5,922
Zinc	unchgd	at 58,375
Tin	-75	to 18,750

WORLD COMMODITIES PRICES

MARKET REPORT

Coffee prices were in retreat yesterday. London's robusta market fell in quiet trade, affected mainly by the strong dollar. Dealers said the outlook remained dull with interest only seen picking up in the long term. New York arabicas were lower at midday, with the most active May contract felling below 92 cents a lb. "The problem with the market is thet we've run out of news. There have been no new cash market developments, and now we've worked lowar because the temporary chart support was broken at 92," one analyst said. Cocoa prices eased in London. There was little reaction to a report that trade house Gill & Duffus had made an in-house revision of its estimate of the 1990-91 world cocoa surplus to around 80,000 tonnes from an excess of 140,000 tonnes forecast on February 1. On the LME coppar rallied in the afternoon, edging back towards key chart levels. Dealers said prices moved off their lows on short covering, aided by a narrowing in the discount for cash metal and reports of Far Eastern physical interest. An attempted rally in the zinc market failed, but traders still expect nearby tightness to discourage a sell-off.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.90-4.05t	-.175
Brent Blend (dated)	$18.35-8.50	-.175
Brent Blend (April)	$18.40-8.45	-.125
W.T.I. (1 pm est)	$18.80-8.85t	-.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$246-248	
Gas Oil	$165-166	-5.5
Heavy Fuel Oil	$69-71	-1
Naphtha	$204-207	+5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$364.70	-1.35
Silver (per troy oz)♣	404.50c	-10.0
Platinum (per troy oz)	$404.75	-10.75
Palladium (per troy oz)	$85.75	-2.50
Aluminium (free market)	$1510	-10
Copper (US Producer)	116.50c	+0.75
Lead (US Producer)	50c	
Nickel (free market)	395c	-1
Tin (Kuala Lumpur market)	14.88r	-0.01
Tin (New York)	259c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.25p	-0.07*
Sheep (dead weight)†	169.79p	+0.07*
Pigs (live weight)†	85.86p	+2.34*
London daily sugar (raw)	$230.0w	-1.6
London daily sugar (white)	$305.0w	-6.0
Tate and Lyle export price	£231.0	-1.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£172	
Wheat (US Dark Northern)	£94.8	
Rubber (Apr)♥	49.25p	
Rubber (May)♥	49.75p	
Rubber (KL RSS No 1 Apr)	229.5m	+0.5
Coconut oil (Philippines)§	$370q	-5
Palm Oil (Malaysian)§	$357.5x	-2.5
Copra (Philippines)§	$240	
Soyabeans (US)	£148.5	-3.5
Cotton "A" index	83.90c	-0.15
Wooltops (64s Super)	330p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-May/Jun. t-Apr. w-Mar/Apr z-Jan/Feb. x-Apr/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	202.40	203.60	203.80 201.00
Aug	201.40	202.00	201.00 200.00
Oct	197.80	196.80	196.20 194.00
Dec	202.00	202.00	195.00
Mar	190.40	186.60	187.00
White	**Close**	**Previous**	**High/Low**
May	298.0	298.0	298.0 296.2
Aug	296.5	297.0	298.0 295.0
Oct	273.5	273.5	273.0 271.7
Mar	268.5	267.0	268.8 265.5

Turnover: Raw 561 (1390) lots of 50 tonnes. White 529 (1134)
Paris- White (FFr per tonne): May 1593, Aug 1594, Oct 1471.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Apr	18.15	18.37	18.56 18.05
May	17.25	17.48	17.70 17.15
Jun	16.75	16.92	17.20 16.68
Jul	16.67	18.51	17.05 16.65
IPE Index	18.39	18.67	

Turnover 9987 (29372)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Mar	170.00	174.00	178.00 164.00
Apr	156.50	162.50	162.50 157.50
May	154.75	156.00	157.25 153.00
Jun	155.00	154.75	156.50 154.00
Jul	155.25	155.50	157.00 154.50
Aug	158.00	155.75	158.50 158.50
Sep	160.00	160.75	159.50 157.00
Oct	163.00	165.00	163.00 160.50
Nov	165.00	165.50	164.00 162.00

Turnover 11833 (22592) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales in Liverpool for the week ending 8 March amounted to 81 tonnes against 179 tonnes in the previous week. Sales were low and occured mainly in Malawi and Spanish sales.
JUTE
March/April c and f Dundee: STC $540, BWC $550, BTD $485, SWD $500. c and f Antwerp: STC $520, BWC $520, STD $480, SWD $480.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	642	645	644 636
May	664	669	665 661
Jul	691	697	695 689
Sep	714	717	716 711
Dec	738	742	740 736
Mar	764	769	765 763
May	785	790	785 784

Turnover: 3409 (5821) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 11 876.26 (891.71) 10 day average for Mar 12 864.00 (859.73)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	515	526	521 514
May	535	549	545 533
Jul	553	564	569 551
Sep	571	582	577 570
Nov	588	600	592 588
Jan	604	614	607 602

Turnover: 4580 (3068) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 11: Comp. daily 71.99 (72.76). 15 day average 72.61 (72.61)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	129.6	129.0	131.0 127.5
May	163.4	163.0	164.0 161.0

Turnover 157 (127) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	117.00	118.00	117.00
Jun	114.50	116.00	114.50
Oct	120.00	123.00	120.00

Turnover 70 (150) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Mar	1735	1715	1740 1735
Apr	1575	1550	1584 1560
Jul	1177	1167	1195 1170
Oct	1274	1264	1275
Jan	1295		1295
SFI	1771	1763	

Turnover 206 (190)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Mar	129.00	128.95	129.40 129.00
May	132.00	131.80	132.50 131.00
Jun	134.10	134.05	134.55 134.00
Sep	110.90	110.30	110.50
Nov	113.48	113.10	113.35 113.20
Barley	**Close**	**Previous**	**High/Low**
Mar	118.50	118.15	118.50 118.40
May	121.50	121.40	121.75 121.50
Sep	107.00		107.00

Turnover: Wheat 282 (257), Barley 41 (8).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	113.5		113.0
Jun	111.0		110.5
Jul	110.6	110.5	110.5 110.0
Aug	110.5	110.3	110.0
Sep	110.5	110.3	110.5 110.0
Oct	110.5	110.3	110.5 110.0
Nov	110.5		110.0

Turnover: 100 (28) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	154.41	155.28			
Mar	154.80	155.60	154.80		78
Apr	155.80	156.00	155.90	155.70	140

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 13,577 lots
Cash	1520-2	1505-6		1505-6		
3 months	1552-4	1537-8	1551/1539	1538-9	1551-2	53,826 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,117 lots
Cash	1298-0	1292.5-3.5	1300/1289	1290-1		
3 months	1306-7	1303.5-4.5	1309/1299	1296-8	1309-10	95,943 lots
Lead (£ per tonne)						Total daily turnover 1,681 lots
Cash	329-31	333.5-4.5	330	330-1		
3 months	339.5-40.5	344-4.5	344/339	339.5-40	339-40	14,105 lots
Nickel ($ per tonne)						Total daily turnover 2,032 lots
Cash	8540-50	8515-25	8505/8501	8500-3		
3 months	8530-5	8500-10	8545/8485	8524-5	8545-50	7,270 lots
Tin ($ per tonne)						Total daily turnover 669 lots
Cash	5565-75	5540-50	5570	5565-70		
3 months	5665-70	5640-50	5675/5660	5665-70	5660-5	5,010 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,856 lots
Cash	1189-91	1189-91	1182	1181-2		
3 months	1184-5	1188-90	1192/1190	1180-1	1180-1	19,771 lots

LME Closing £/$ rate:
SPOT: 1.8580 3 months: 1.8318 8 months: 1.8107 8 months: 1.7949

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	364.50-364.90	
Opening	364.00-364.50	
Morning fix	363.95	195.252
Afternoon fix	364.25	195.623
Day's high	364.80-365.20	
Day's low	362.50-362.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.48	6 months	5.21
2 months	5.43	12 months	5.13
3 months	5.37		

Silver fix	p/fine oz	US cts equiv
Spot	213.45	397.90
3 months	219.35	404.30
6 months	226.05	410.85
12 months	237.80	424.78

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	365.00-366.00	196.00-196.50
Maple leaf	376.00-377.00	202.00-202.50
New Sovereign	88.50-89.50	47.50-48.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	May	Apr	May
1450	87	105	1	10
1550	17	41	32	45
1650	1	11	114	113
Copper (Grade A)	**Calls**		**Puts**	
2300	113	123	7	24
2400	43	63	36	630
2500	10	27	102	125
Coffee	**May**	**Jul**	**May**	**Jul**
500	40	90	8	8
550	13	29	29	28
600	3	13	69	52
Cocoa	**May**	**Jul**	**May**	**Jul**
600	68	18	4	20
650	32	33	18	43
700	4	15	48	78
Brent Crude	**May**	**Jun**	**May**	**Jun**
1900	25	20	150	220
2000	10	15	260	
2100	5	5	355	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	364.8	364.7	364.0	364.0
Apr	366.1	366.2	368.9	364.6
May	367.7	367.8	0	0
Jun	369.2	369.2	370.0	367.6
Aug	372.3	372.3	373.0	370.7
Oct	375.6	375.5	375.6	375.5
Dec	379.1	379.1	380.0	377.2
Feb	382.8	382.5	0	0
Apr	386.3	386.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	405.0	412.3	408.0	400.5
Jul	409.5	416.5	410.0	404.5
Oct	412.8	420.6	413.0	407.0
Jan	416.5	424.3	416.5	410.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	400.6	407.0	402.5	397.8
Apr	401.8	408.5	0	0
May	404.3	411.0	407.5	401.0
Jul	409.1	418.0	412.5	406.0
Sep	414.1	421.0	417.0	413.0
Dec	421.3	428.8	424.6	418.0
Jan	423.5	430.8	0	0
Mar	429.3	436.7	432.5	428.0
May	434.9	442.4	436.0	435.0
Jul	440.5	448.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	110.10	100.90	110.60	110.00
Apr	109.25	108.78	109.60	100.20
May	105.25	107.50	108.70	107.60
Jun	107.40	106.75	107.20	107.20
Jul	160.55	106.00	106.80	106.00
Aug	106.00	105.55	0	0
Sep	105.45	105.10	106.70	105.50
Oct	105.00	104.65	0	0
Nov	104.60	104.25	0	0
Dec	104.35	104.00	104.50	104.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.92	18.99	19.20	18.55
May	18.59	18.58	18.75	18.18
Jun	18.40	1840	18.54	18.01
Jul	18.30	18.25	18.38	17.90
Sep	18.21	18.28	18.28	18.00
Nov	18.50	18.42	18.50	18.15
Jan	18.56	18.51	18.56	18.36

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5430	5443	5510	5350
Jun	5090	5071	5120	5000
Jul	5070	5051	5090	4985
Sep	5215	5241	5240	5200
Nov	5430	5421	5475	5410

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1158	1144	1158	1132
May	1175	1154	1177	1151
Jul	1204	1182	1206	1100
Sep	1231	1214	1233	1210
Dec	1268	1247	1280	1248
Mar	1303	1282	1300	1278
May	1325	1312	1325	1320
Jul	1348	1345	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	89.35	90.90	90.75	88.90
May	91.00	92.60	92.10	90.50
Jul	92.85	94.65	94.00	92.70
Sep	95.00	96.78	96.18	94.70
Dec	98.00	99.50	99.00	98.00
Mar	100.55	102.85	101.78	100.50
May	102.25	104.50	103.50	102.25
Jul	104.40	100.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	9.11	9.21	9.19	9.05
Jul	8.79	8.85	8.91	8.77
Oct	8.55	8.62	8.60	8.53
Mar	8.31	8.31	8.41	8.30
May	8.33	8.34	8.33	0
Jul	8.42	8.43	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	85.60	83.62	85.62	82.90
Jul	85.00	83.27	85.27	82.75
Oct	72.35	71.70	72.45	71.40
Dec	68.10	67.85	68.20	67.10
Mar	68.70	68.40	68.70	68.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	113.30	113.55	115.50	112.75
May	112.80	113.20	114.40	112.30
Jul	113.00	113.35	114.50	112.80
Sep	113.00	113.00	114.00	112.60
Nov	112.00	112.00	112.00	111.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 12	Mar 11	mnth ago	yr ago
1703.0	1710.1	1007.0	1014.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 11	Mar 8	mnth ago	yr ago
Spot	128.11	127.18	121.91	133.10
Futures	129.83	131.21	127.30	133.86

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	585/2	586/0	589/0	579/2
May	593/6	594/6	597/2	588/0
Jul	607/0	608/4	611/0	601/6
Aug	613/4	614/0	615/4	607/0
Sep	617/2	616/4	620/4	611/4
Nov	626/6	626/0	630/4	620/0
Jan	637/4	637/0	640/4	631/4
Mar	649/0	649/0	651/0	642/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.12	22.44	22.50	22.05
May	22.33	22.68	22.71	22.28
Jul	22.65	23.01	23.02	22.60
Aug	22.73	23.05	23.13	22.70
Sep	22.90	23.18	23.20	22.82
Oct	22.95	23.21	23.30	22.95
Dec	23.25	23.48	23.50	23.15
Jan	23.30	23.50	23.80	23.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	168.3	167.9	168.8	165.9
May	171.0	170.2	171.5	168.5
Jul	174.8	174.2	175.6	172.5
Aug	176.0	175.9	177.2	174.5
Sep	178.6	177.5	179.6	176.3
Oct	180.4	179.0	180.7	178.0
Dec	183.5	182.0	183.7	181.0
Jan	183.2	182.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	250/6	246/2	251/4	245/0
May	258/2	254/4	259/6	252/6
Jul	266/2	261/4	267/2	260/0
Sep	266/6	262/4	268/0	261/6
Dec	267/4	263/6	268/0	263/0
Mar	274/4	271/0	274/6	270/0
May	279/4	276/0	279/4	275/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	279/2	271/4	279/4	270/2
May	287/0	280/4	289/0	280/0
Jul	296/0	289/6	297/6	289/6
Sep	304/0	298/0	305/0	297/6
Dec	316/6	311/0	318/0	310/4
Mar	324/4	316/4	324/4	318/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	81.47	81.72	81.62	81.27
Jun	77.82	77.82	77.80	77.00
Aug	75.35	75.50	75.45	75.27
Oct	76.32	76.55	76.42	76.27
Dec	76.65	76.60	76.65	76.50
Feb	76.55	76.55	0	76.37
Apr	76.00	76.95	0	76.80

LIVE HOGS 50,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	54.47	54.15	54.70	53.00
Jun	58.50	58.40	58.62	57.97
Jul	57.62	57.37	57.75	57.10
Aug	54.00	54.37	55.00	54.15
Oct	49.27	48.92	49.27	48.80
Dec	48.42	47.95	48.42	47.90
Feb	47.80	47.47	47.80	47.75
Apr	46.15	46.00	46.15	46.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	66.77	65.47	66.80	65.05
May	65.77	65.70	67.10	65.00
Jul	66.15	65.35	66.25	64.80
Aug	64.77	64.00	64.98	63.70
Feb	60.18	68.60	60.50	59.00
Mar	60.50	60.50	0	59.60

LONDON STOCK EXCHANGE

New issues dominate equity trading

THE UK STOCK market was dominated yesterday by the first dealings in PowerGen and National Power, the two newly privatised electricity generating companies, when they started trading just after mid-session. Both shares moved to significant premiums on their partly-paid issuing prices, and heavy trading of about 15 per cent of the shares available in each issue boosted the overall volume in equities.

The early part of the session saw shares moving uncertainly in response to similar trends overnight in New York and, earlier in the day, in other European equity markets. Share prices slipped lower at first, bringing a loss of 14 points on the FT-SE Index. However, trading was light and much of the early direction came from the futures market.

Account Dealing Dates

*First Dealings:		
Feb 25	Mar 11	Apr 2
Option Declarations:		
Mar 7	Mar 27	Apr 11
Last Dealings:		
Mar 8	Mar 28	Apr 12
Account Day:		
Mar 18	Apr 8	Apr 22

*New-time dealings may take place from 8.30 am two business days earlier.

The stock market then rallied, without betraying any great conviction and edged into plus territory until New York opened on a dull note to show a loss of 4.21 Dow points in UK hours.

The final reading put the FT-SE Index at 2,454.8, a loss of 4.3 on the day. Seaq volume of 857.8m shares compared with 537.7m on the previous day, but was swollen by trading in the two new electricity issues.

Traders commented that the London market appeared to be still in a consolidation phase following the substantial rise since the middle of January. Some institutions are now closely monitoring their portfolios ahead of the end of the first quarter but, as shown in the rally yesterday morning, are still willing to pick up stock when the opportunity offers.

Among strategists in the London stock market, the team at Kleinwort Benson, reviving the phrase "the market will climb this wall of worry," maintained that share prices will continue to rise under the spur of the still substantial liquidity levels of institutional portfolios, the catalyst of falling interest rates and the cheap rating of the UK against other world markets. Nomura Research Institute, one of the earliest of the market bulls, said the UK market still has a long way to go on the upside; while accepting that some near term consolidation may be expected, the firm suggests that investors should not lighten equity exposure before FT-SE 2,800.

However, with fund managers concentrating closely on the prospects for the new electricity issues, the rest of the market was somewhat neglected after midday yesterday. Equities stood up well to the news that Standard Chartered was confirming pessimistic forecasts in the City by cutting its dividend payment. Other bank shares, having also survived last week's reduced payout by Midland Bank, recorded only minor falls yesterday.

With Wall Street no longer providing upward impetus, the international blue chip stocks moved uncertainly. Shares in Reuters, the global communications group, turned lower, reflecting their close links with the New York market. Glaxo, the pharmaceutical leader which has laboured under the weight of a significant institutional seller for the past week, gave ground again. However, ICI remained steady.

Late dealings were featured by substantial trading in the new electricity companies, apparently as non-UK sources sought to establish stakes in them. Reporting of many deals was delayed until well after the nominal close of the market, and traders are awaiting confirmation of the identity of the buyers, who were widely rumoured to be either from Japan or continental Europe.

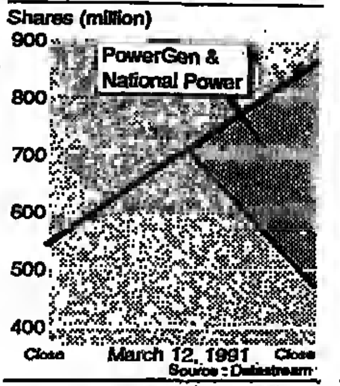
Demand for power issues

A SLUGGISH start to the stock market debuts of the two power generators, National Power and PowerGen, gave way to a burst of heavy and determined buying interest which led dealers and analysts to suspect a large stakebuilding operation.

These suspicions were supported by the heavy turnover in the two stocks which, after allowing for double counting of buying and selling, would have enabled stakebuilders to have acquired 10 per cent-plus holdings in both companies.

Total trading volume in the two new stocks reached 381m shares, comprising 238m in National Power and 143m in PowerGen. This represented over 40 per cent of total equity trading yesterday (see chart).

SEAQ trading volume



Source: Datastream

There was no shortage of names put forward as potential stakebuilders. The first two were Electricité de France and the nuclear power station group Framatome, although a news agency said both French companies, 51 per cent-owned by the French government, denied they had been buyers of the UK power generators. Other names mentioned included GEC-Alsthom and Asea Brown Boveri.

"It was relatively quiet for around fifteen minutes, with floods of stock on offer, and then the buyer moved in," said a marketmaker. He added that the buyer paid up all afternoon, bidding aggressively for large lines of stock.

US investment bank Goldman Sachs was seen to be a determined bidder on the Seaq screens, as was Nomura, the Japanese investment bank. Hoare Govett was also said to have bought large lines of stock.

The first deal in National Power was struck at 119p; after the surge of buying interest the shares ended the session at 137½p. The first trade in PowerGen was struck at 126p, the closing price being 137p. Demand for both stocks continued after the official close.

Anticipating events

Guinness continued to outperform a lacklustre breweries sector in anticipation of final figures from the company on March 21. "The results are a biannual bull event for the stock," said Mr John Walters at Smith New Court. However, in the past, the shares have risen after the publication of the chairman's statement. This time, the market is anticipating the event.

Mr Walters added that historically the shares traded at a more than 20 per cent premium to the market, on a price earnings basis. They are currently at a market rating; to reach the long held premium they would have to rise above £10.

Guinness climbed 18 to 872p on steady turnover of 1.6m. The move was partly a catching up process after two weeks of underperforming the sector in the second half of February.

Standards reduced

An early slide in Standard Chartered, after the bank revealed it had sharply cut its final dividend, was more than made up by the close of trading. The fall was attributed by market specialists to a misinterpretation of Standard's dividend policy.

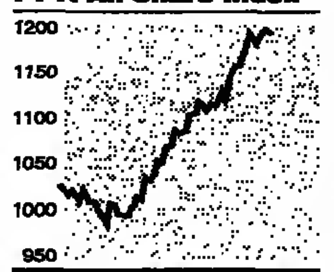
Dealers marked down Standard to around 310p following the figures and the company statement which said that the bank would bring its interim and final payments into line. This implied, according to some traders, that this year's interim might also be reduced. However, the shares rallied and settled a net 6 up at 335p. Turnover reached 3m.

The preliminary figures were as the market had expected, as was the final dividend, where the payment was cut from 22½p to 7½p, giving a total of 20p, down from last year's 35p.

Lucas downgraded

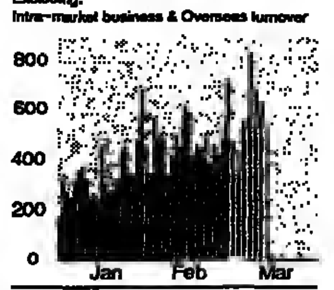
Lucas Industries was upset by a further and more severe downgrading of current year profit expectations. One analyst decided he had not been cautious enough on automotive numbers and cut his forecast, already the low for the market range, to £133m. Last year the group had profits of £191.2m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Although positive on Lucas in the longer term, the researcher thought the stock was overvalued now. The group is scheduled to report interim results on March 25. Lucas lost 9 to 157p.

British Airways fell 13 to 160p following comments by Lord King, the chairman, that the new UK-US agreement on transatlantic air routes would "reduce materially" the company's profitability. Analysts were uncertain as to how much BA's profits would drop and said the picture remained confused by the sharp fall in the number of passengers carried during the Gulf war. Most decided to leave their current full year estimates at £140m to £150m, compared with £345m last time. Trading was busy as 5m shares changed hands.

The big first-day gains in the power generators confounded many analysts, who continued to point to the more reliable earnings flow and bigger yields available on both the water and electricity distribution (discos) sectors. "If the gencos are worth these prices and yields, then the waters and the discos need to be revalued upwards very substantially," said one analyst. BZW described the gencos as "definitely too expensive at these levels".

The discos rallied after a stuttering start, drawing strength from the gencos. Northern performed exceptionally well, closing 5 higher at 208p, closely followed by Norweb, 4 up at 203p. The Package rose 12 to £1960.

Water shares gained ground but faltered just before the close. At a lunch held at County NatWest, Ms Ann Taylor, Labour's front-bench spokesperson on water, told a number of institutions that Labour remains committed to the principle of public control and ownership of the water industry.

Widespread speculation that Scottish & Newcastle was about to make a rights offer and bid for William Hill, the chain of betting shops owned by Brent Walker, was generally disbelieved. "Their borrowings are sufficiently low for a rights issue not to be necessary for a deal of that size in any case," said one analyst. Scottish slipped 7 to 394p, having bottomed at 390p.

A cautious statement on outlook – annual profits were around market expectations – put paid to the recent firmness in Glynwed International. Most analysts were revising current year estimates and the stock lost 15 to 264p. Comment on the full year trading performance, announced on Monday, left BBA 7 off at 154p.

The property sector had a good day, with such sharp rises among smaller issues that traders said the Stock Exchange was investigating some of them as unusual movements. The Stock Exchange would not comment on the suggestion.

Most of the sector's rises were as a result of thin demand for previously hard hit stocks. Such shares are often tightly held. Speyhawk rose 18 to 127p, USM-quoted Stanhope firmed 7 to 120p and Chesterfield Properties, which saw switching from the convertibles, jumped 20 to 618p. Speyhawk has final figures due on March 15 and Slough Estates publishes its finals on March 27 – the latter added 10 at 266p.

Capital & Counties was recommended by Kleinwort Benson as a long-term buy. The broker advised investors to switch out of the 5¾ per cent convertible into the ordinary shares, which climbed 16 to 337p.

Celestion Industries, the clothing and loudspeaker maker, justified its recent market outperformance with preliminary results described by a dealer as "outstanding". Shares of the company, which lists Marks and Spencer as a customer, closed 4 up at 49p, compared with just 25p three weeks ago.

A 16 per cent increase in annual profits by Blagden Industries, the packaging group, also found approval and left the stock 13 higher at 192p.

USM-listed CMW Group rebounded on relief that full year profits were not as bad as some traders had feared. Recovery hopes were also a factor behind the bounce of 23 in the shares to 48p.

Another upsurge by Unitech, the components group, left the shares 33 higher at 271p. Speculation that a bid from one of the group's two big shareholders, Elektrowatt, the Swiss company which has a 29.9 per cent stake, or the consortium headed by Mr Tito Tettamanti, with just over 25 per cent, was thought to be wide of the mark. Unitech reduced its stake in Nemic Lambda, its Japanese subsidiary, to 51 per cent a month ago, since when the Nemic Lambda share price in Tokyo has risen by 30 per cent, valuing Unitech's stake at £115m. "The market is catching up on the situation," said one follower of the stock.

■ Other Market statistics, including the FT-Actuaries share index, Page 24

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (119). BRITISH FUNDS (1) AMERICANS (2) CANADIANS (1) BANKS (4) BREWERS (5) BUILDINGS (6) STORES (11) ELECTRICALS (10) ELECTRICITY (3) ENGINEERING (3) FOODS (14) HOTELS (1) INDUSTRIALS (18) ASD 8p Cnv. Prf., Baris, British Polythene 7½pc Prf., Cape, Capita, Creighton Naturally, Diploma, Hopworth, Hewitt (J), London Intl., Macfarlane, NMW Computers, Sanders & Sidney, Silentnight, Tomkins, Do. 5.6pc Cnv. Prf., Do. 8¾pc Cm. Prf., Vinten, INSURANCE (4) LEISURE (3) PAPERS (3) PROPERTY (2) SHOES (1) SOUTH AFRICANS (2) TEXTILES (1) TRANSPORT (2) TRUSTS (20) WATER (1) OILS (1).
NEW LOWS (1).
BUILDINGS (1) LEISURE (1) MOTORS (1) PROPERTY (3) TRUSTS (1) OILS (1) MINES (1).

FINANCIAL TIMES STOCK INDICES

	Mar 12	Mar 11	Mar 8	Mar 7	Mar 6	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.01	85.25	85.15	85.13	84.94	78.68	85.88 (19/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.40	93.42	93.32	93.33	93.27	86.60	94.23 (19/2/91)	83.80 (30/4/90)	106.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1947.0	1958.2	1958.7	1950.0	1977.5	1755.6	1977.5 (6/3/91)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	145.0	147.1	143.2	143.4	142.7	283.3	378.5 (6/2/90)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2454.8	2459.1	2455.0	2437.7	2459.9	2224.5	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 200	1127.76	1128.31	1133.31	1127.13	1130.24	-	1133.31 (8/3/91)	938.62 (16/1/91)	1133.31 (8/3/91)	938.62 (16/1/91)
Ord. Div. Yield	4.98	4.96	4.95	4.98	4.87	5.00				
Earning Yld %(full)	9.51	8.48	9.46	9.50	9.24	11.73				
P/E Ratio(Net)(☆)	12.98	13.01	13.04	12.98	13.34	10.31				
SEAQ Bargns 4.30pm	43,856	44,348	52,221	51,556	58,857	24,449				
Equity Turnover(£m)†	-	1125.74	1455.62	1384.2	1779.00	581.27				
Equity Bargains†	-	44,977	53,455	55,035	58,882	28,284				
Shares Traded (ml)†	-	537.4	632.3	686.0	830.5	300.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 12.64

Ordinary Share Index, Hourly changes — Day's High 1958.9 — Day's Low 1940.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1942.1	1940.3	1945.1	1954.1	1951.8	1950.0	1951.1	1952.8	1946.4

FT-SE 100, Hourly changes — Day's High 2463.4 — Day's Low 2445.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2447.5	2445.3	2451.2	2460.2	2457.9	2456.0	2457.0	2458.5	2453.2

FT-SE Eurotrack 200, hourly changes — Day's High 1128.56 — Day's Low 1123.41

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1125.39	1124.86	1126.81	1126.98	1127.04	1127.78	1126.91

GILT EDGED ACTIVITY

Indices*	Mar 11	Mar 8
Gilt Edged Bargains	104.0	96.4
5–Day average	100.5	97.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	3,600	112	-5
ASDA Group	2,500	139	+1
Abbey National	2,800	259	-3
Albert Fisher	1,800	129	-1
Allied-Lyons	1,000	544½	-1½
Amstrad	8,500	79	+3
Anglian Water	1,300	309	+4
Argos	235	294	+4
Argyll Group	3,200	288	+4
Ass. Brit. Foods	563	481	+2
[illegible]			
BP	8,400	347	+3
British Steel	8,700	141½	+½
British Telecom	8,200	332	-5½
Bunzl	2,300	87	
Burmah Castrol	404	606	+2
Burton	3,200	98	+2
Cable & Wire.	2,600	521	+1
Cadburys	2,700	371	+1
Calor Group	221	238	
Carlton Comms.	469	473	+8
Coats Viyella	498	146	-2
Comm. Union	323	523	-3
Cookson	1,100	140	+3
Courtaulds	496	386	
Dalgety	173	308	-1
Dixons	302	181	+1
ECC Group	1,400	413	
Eastern Elect.	1,800	177	+3
East Midland Elect.	1,200	197	-1
Enterprise Oil	553	698	-6
Eurotunnel Units	1,100	616	+9
FKI	640	59	
Ferranti	8,400	17	
Fisons	3,100	482	+6
Kingfisher	978	446	+5
Ladbroke	2,800	288	+2
Land Securities	708	540	+6
Laporte	60	575	-6
Legal & General	841	425	-7
Lloyds Abbey	640	416	+2
Lloyds Bank	1,400	351	-6
LASMO	1,000	374	-4
London Elect.	1,600	190	+1
Lonrho	1,700	240	-2
Lucas	7,500	157	-8
MB Caradon	1,000	212	-3
MEPC	605	538	+6
Manpower	23	73	-1
Manweb	131	224	+2
Marks & Spencer	2,700	250½	+½
Maxwell Comms.	354	150½	-1½
Midland Bank	1,500	308	
Midlands Elect.	942	189½	-½
NatWest Bank	8,500	317	
National Power	238,000	137½	
Next	2,000	28	+½
North West Water	228	312	+2
Northern Elect.	312	208	+5
Rothmans	88	809	-4
Ryl Bk Scotland	652	198	-1
Royal Insurance	776	467	-2
Saatchi	3,600	22½	-½
Sainsbury	2,800	350	+7
Scottish & New.	1,800	394	-7
Sears	1,300	94	-½
Sedgwick	987	254	+6
Seaboard	50	184	-1
Severn Trent Water	1,100	289	-1
Shell Transport	3,500	483	-1
Siebe	625	414	-4
Slough Ests	936	266	+10
Smith (W.H.) A	144	380	+6
Smith & Nephew	4,300	116½	+½
SmKl Beecham	657	783	-2
SmKl Beecham Uts.	108	3253	-60
Smiths Inds.	335	280	-5
Southern Elect.	1,600	188	
South Wales Elect.	410	228	+4
South West Water	119	318	
South West. Elect.	779	200	+1
Southern Water	405	293	+2
Standard Chartd.	3,000	335	+6
Water Package Uts.	8	£3095	+10
Wellcome	298	508	-7
Welsh Water	234	334	+1
Wessex Water	64	390	+2
Whitbread 'A'	1,400	484	-1
Wiggins Teape	772	236	-1
Williams Hldgs.	790	278	-1
Willis Corroon	2,700	306	+1
Wimpey	4,300	209	+10
Yorkshire Elect.	847	206	+1
Yorkshire Water	48	313	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE LAUNCH of the power generation companies on to the stock market overshadowed trading in UK futures and options yesterday.

An early attempt by the March FT-SE 100 index to drag the equity market higher quickly ran out of steam and the contract eventually closed unchanged on the day at 2,459. In after-hours' dealings March rose to 2,463.

With the March contract soon to expire traders were rolling their open positions into June, the next forward month. Market specialists said they expected the twin expiry at the end of the month of the March FT-SE futures and options contracts to pass off quietly.

Investors had recently taken advantage of the small premium which equity futures had traded at to unwind large stock positions hedged in the futures market.

The specialists said this was likely to prevent sharp movements in the futures market as the March expiry approached.

The launch of National Power options boosted dealings in traded options, with the September 130 calls particularly active. Over 5,000 contracts changed hands.

Amstrad again featured as the shares rose in busy dealing. A buyer of June 70 calls lifted turnover to 4,769 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS – Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1990: 126.7 and for January 1991: 130.2.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

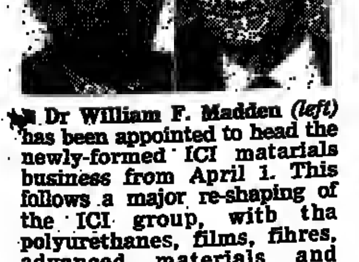
AMERICANS – Contd

CANADIANS

Continued on next page

APPOINTMENTS

ICI forms materials group



■ Dr William F. Madden (left) has been appointed to head the newly-formed ICI materials business from April 1. This follows a major re-shaping of the ICI group, with the polyurethanes, films, fibres, advanced materials and acrylics businesses forming the new materials group. Dr Madden, who is regional executive officer, Asia Pacific, will be replaced by Mr Paul R. Schindler (right), chairman and managing director of ICI (China). Mr Schindler will become regional chairman of Asia Pacific. Dr Madden joined ICI in 1958, and Mr Schindler joined in 1965.

■ Mr Tony Leyland has been appointed managing director of Wimpey Property Holdings, and becomes a member of the group's executive board. He was managing director of Ford Sellar-Morris Properties. Mr M.J. Dowdy, finance director, GEORGE WIMPEY, will resign from the group after the annual meeting in April. Mr G.M. Davies, main board member and chairman of Wimpey Property Holdings, retires at the end of March, but continues as a consultant.

■ Mr Gordon Edington, managing director of Lynton, has been appointed managing director of BAA HOLDINGS from April 1. The group covers Lynton, BAA Hotels, Airports UK, Scottish Express, SkyCare Cargo, and BAA International. He will succeed Mr Maurice Lambert as chairman of Lynton when Mr Lambert retires on July 3.

■ Mr Jeffrey Cooper has been appointed deputy chief executive of GUINNESS MAHON & CO. He was a member of the executive management of Midland Montagu.

■ WOOLWORTHS has appointed as commercial directors on its board Mr Chris Ash, entertainment and confectionery; Mr Peter Oldham, kidswear and toys; and Mr Jim Glover, home.

■ LAND SECURITIES has appointed Mr J.I.K. Murray as finance director. He joined the group in 1981.

■ TOTTY CONSTRUCTION GROUP, Bradford, has appointed Mr David Hardless as financial director and company secretary. He was a member of the corporate finance team from Coopers and Lybrand Deloitte which advised the company on its management buy-out last October.

GEC-Alsthom makes changes

■ Mr Kelvin Bray, of the General Electric Company, will be appointed to the board of GEC-ALSTHOM, the power engineering joint venture between GEC of the UK and Alcatel-Alsthom of France, following the retirement in August of Sir Robert Davidson, as the venture's vice chairman and deputy chief executive, writes Charles Leadbeater, Industrial Editor.

The changes leave unaltered the representation of the two companies on the venture's board. GEC will have two representatives while Alcatel-Alsthom will have three.

Mr Douglas Gadd had been appointed chairman of GEC Alsthom Limited, the UK arm of the joint venture, in light of Sir Robert's impending retirement. Mr Gadd will cease to be a director of GEC.

■ CAPITAL RADIO has promoted Mr Philip Pinnegar to deputy managing director, in addition to his post as sales director.

■ Mr Jan Roeland has been appointed chief executive officer, automation division, at CONTROL TECHNIQUES, Newtown, Powys. He was managing director of the company's Dutch subsidiary in Rotterdam and will continue to be based there. He succeeds Mr Kevin Curran, the group managing director, who had been acting CEO.

■ THE NUGENT GROUP has appointed Mr Alex McIntosh as operations director of subsidiary John Nugent Construction.

■ Mr Nigel Bulpitt has been appointed a director of GALLAHER. He was general manager, group strategic planning.

Mr Michael Phillips (pictured) has been appointed managing director of NOKIA TELECOMMUNICATIONS UK, from March 19. He was UK sales director, networks systems group, GEC Plessey Telecommunications. Mr John Baker becomes plant manager, cellular systems group.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

For Telfind see Brit. Thornton

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]			743	.....	2.12	10.8	0.4	32.2
[illegible]	633	Securicor Group	522	+1	2.12	10.8	0.5	22.6
[illegible]	395	Do. 'A' N-V	135	+6	8.0	1.6	7.9	10.0
[illegible]	52	Securiguard Grp 5p	184	.....	†6.5	2.1	4.7	13.8
[illegible]	139	Security Archives 20p	422	.....	4.08	4.5	1.3	22.9
[illegible]	295	Security Services	8	.....	1.2	–	–	–
[illegible]	5	[illegible]	420	.....	11.0	♦	3.5	♦
[illegible]	325	Serco Group 2p	165	.....	L3.75	2.2	3.0	14.7
[illegible]	136	[illegible] 10p	1378	–25	†22.8	2.6	2.2	22.9
[illegible]	1065	Siebe [illegible] 50p	47	.....	4.1	1.9	11.6	6.0
[illegible]	46	Shaw (Arthur) 10p	85	.....	s4.73	2.2	7.4	8.2
[illegible]	75	Sheldon Jones	83	.....	sf2.63	1.9	4.2	8.0
[illegible]	63	Shiloh	159	.....	8.0	2.0	6.7	9.6
163	101	Sidlaw Group	414	–4	†15.0	3.1	4.8	7.8

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◊ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	β	675	......
Finlay Pkg. 5p	β	31	......
Holt (Jos) 25p	β	1320	......

IRISH

Cap 8½% Ln 1991	£99½	......
9pc Cap Ln 1996	£98¼	......
Fin 13% 97/02	£115	+½
Arnotts	160	......
Carrol (P.J.)	154	......
Heiton Hldgs. γ	50	+2
IRG	150	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng:031-220 4924

Far East (Pacific)(z)	5¼	91.23	94.39	100.2	+0.1	0.42
Income & Growth	5¼	65.87	61.97xd	65.78	-0.08	4.97
European (z)	5¼	50.22	55.61xd	59.03	-0.17	1.21
Nth American (z)	5¼	34.49	34.44	36.61	-0.47	1.43
Intl Growth(9-1)	5¼	60.03	61.09	64.85	-0.18	0.91
UK Growth	5¼	55.46	58.63	60.11	+0.19	2.38
Intl Income	5¼	47.09	47.58xd	50.58	+0.23	5.91
High Yield	5¼	46.00	46.66	49.53	-0.02	6.96
Charities	5¼	91.66	92.92xd	90.64	-0.06	5.67
Japan	5¼	38.30	38.63xd	41.00	+0.23	–

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

UK Growth (14-1)	6	67.44	68.93	73.72	-0.26	3.35
UK High Income	6	34.81	35.29	77.74	-0.10	5.95

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 367730

American ♥	5¼	30.16	30.27	32.28	-0.33	1.58
(Accum Units) ♥	5¼	32.28	32.40	34.55	-0.35	1.58
Australian ♥	5¼	155.4	157.3xd	168.7	+1.00	3.25
(Accum Units) ♥	5¼	175.0	177.1	190.0	+1.1	3.25
Conscience	5¼	58.30	51.50	58.01	+0.12	1.42
(Accum Units)	5¼	53.17	54.00	57.69	+0.13	1.42
European	5¼	140.9	142.5	152.0	-0.3	1.05
(Accum Units)	5¼	148.7	150.4	160.4	+0.3	1.03
Extra Income	5¼	65.20	65.20xd	69.58	-0.59	8.78
(Accum Units)	5¼	80.24	88.24xd	94.17	-0.74	8.78
Far East Gth Acc ♥	5¼	109.9	109.9	117.4	-0.1	0.26
Gilt & F I	5¼	51.34	51.34xd	54.39	-0.03	9.22
(Accum Units)	5¼	108.1	108.1	134.3	-0.1	9.22

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H

Charlton Pl, Andover, Hants SP10 1RE 0264 346794

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	124.1	125.23	133.22	-1.34	0.37
Do Accum	6	135.87	136.89	145.62	-1.47	0.37
TSB Brit Growth	6	72.88	74.11	78.83	-0.19	3.37
Do Accum	6	80.58	81.93	87.15	-0.21	3.37
TSB European	6	73.91	79.25xd	78.98	-0.15	1.08
Do Accum	6	76.59	76.94xd	81.85	-0.16	1.08
TSB Extra Income	6	160.88	164.39xd	174.88	-0.30	5.06
Do Accum	6	232.02	237.08xd	252.21	-0.55	5.06
TSB Smaller Cos	6	43.11	44.69xd	47.54	+0.16	2.68
Do Accum	6	45.64	47.3xd	50.31	+0.18	2.68
TSB General	6	223.7	223.7	237.97	-1.1	3.6
Do Accum	6	417.30	417.30	444.83	-2.05	3.6
TSB Premier Income	5	44.05	44.69	46.35	-0.02	8.66
Do Accum	5	78.89	79.97	83.5	-0.05	8.60
TSB Income	6	301.64	307.03	326.62	-1.66	4.9
Do Accum	6	560.75	570.75	607.10	-3.1	4.9
TSB Pacific	6	219.01	222.74	236.95	+1.27	0.2
Do Accum	6	227.92	231.76	246.55	+1.32	0.2
TSB International	6	378.35	378.35	402.5	-0.87	0.0
Do Accum	6	485.31	485.31	516.28	-1.12	0.8
TSB Nat Resources	6	60.95	62.09	66.05	+0.5	2.06
Do Accum	6	66.11	67.36	71.60	-0.6	3.05
TSB Sictd Opps	6	70.9	80.61xd	85.75	-0.24	3.02
Do Accum	6	95.05	97.11xd	103.3	-0.3	3.02
Environmental Inv	6	46.33	46.33xd	49.28	-0.51	2.16
Do Accum	6	47.0	47.8xd	50.85	-0.51	2.16
TSB Selector	6	48.13	48.93	52.05	-0.14	3.96
Do Accum	6	49.62	50.42	53.63	-0.15	3.96
TSB High Income	6	50.90	51.9	55.21	-0.33	5.71
Do Accum	6	52.29	53.28	56.68	-0.34	5.71
TSB Intl Income	6	49.97	50.24	53.44	-0.01	6.64
Do Accum	6	49.97	50.24	55.44	-0.01	6.64
TSB Selector Income	6	50.32	50.92	54.17	-0.14	6.09
Do Accum	6	50.32	50.92	54.17	[illegible]	[illegible]

Target Trust Mngrs Ltd (3600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	71.91	71.91	76.65	-1.00	1.11
Australia	5	5.563	5.563xd	5.959	-0.04	4.48
Equity	5	162.8	162.8	174.6	+0.1	4.49
Euro Spec Sits	5	111.2	111.2	119.3	+1.0	0.(z)
Financial	3	29.18	29.10	31.40	-0.16	4.75
Global Opps Inc	5	64.47	64.97	69.83	+0.37	1.55
Global Opps Acc	5	66.30	66.38	71.35	+0.39	1.53
Gold & Gen Inc	5	36.80	36.80	39.56	-0.34	1.39
Gold & Gen Acc	5	68.79	68.79	73.96	-0.63	1.29
Income	5	101.9	101.9xd	109.5	-0.1	6.00
Japan & General	5	128.9	128.9	138.6	+0.9	0.(z)
Preference Share	3	19.09	19.09	20.56	-0.28	11.33
UK Capital	5	87.11	87.13xd	93.64	+0.21	3.73
World Income	5	64.46	64.46	69.35	+0.23	4.69
Worldwide Capital	5	166.8	166.8	179.2	-0.1	3.16

Templeton Unit Trust Managers Ltd (1200)F

Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	113.44	114.07	122.00	-0.22	2.51
Global Growth Inc	6	107.56	108.18	115.70	-0.22	2.51

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	101.30	101.30	+0.1	10.66
(Accum Units)	550.60	550.60	-0.5	10.66
NAAGIF Mar 5	–	41.94	......	9.62

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Mar 12	128.2	137.4	+3.5	2.05
UK Small Co Mar 12	503.9	542.8	+23.8	1.47
Fixed Interest Mar 12	106.3	111.8	+1.2	7.90
US Small Co Mar 12	139.1	148.7	+8.4	0.00
Managed Mar 12	106.0	112.7	+2.7	1.29
Intl Bond Mar 12	113.0	119.2	+1.6	7.68
Japan Mar 13	70.96	75.95	+2.1	0.90
European Mar 12	86.69	92.81	+3.1	1.59
Nth American Mar 12	97.51	104.8	+3.0	1.34

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Mar 6	45.35	47.37xd	......	3.20
Euro Expt Mar 6	49.92	52.42xd	......	2.23
Fixed Int Ex Mar 6	46.16	47.31	......	10.48
Japan Expt Mar 6	43.15	44.87	......	0.63
Managed Ex Mar 7	43.95	45.61	......	4.30
SE Asia Expt Mar 6	64.01	67.20	......	4.61
Sm Cos Expt Mar 6	31.52	33.09	......	4.49
UK Eqty Ex Mar 6	39.84	41.83xd	......	3.95

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Mar 6	680.9	732.6	......	4.86
Do Accum	773.8	822.8	......	4.86
Int Expt Mar 6	160.4	171.4	......	2.9
UK Index Mar 6	1152.0	1174.0	......	4.95
Do Accum	1232.0	1256.0	......	4.95
Convertible Mar 7	93.58	96.5	......	7.77
World ex UK Index Mar 11	757.8	767.2	+24.1	1.96
Do Accum	757.8	767.2	+24.1	1.96
Japan Index Mar 11	594.3	602.5	+17.3	0.59
Do Accum	595.8	603.9	+17.3	0.59
USA Index Mar 11	909.8	915.3	+30.9	3.19
Do Accum	932.2	937.8	+31.7	3.19
Europe ex UK Index Mar 11	878.8	890.9	+26.0	2.75
Do Accum	898.7	919.2	+27.4	2.75
Pacific ex Jap Index Mar 4	809.9	833.7	......	4.71
Do Accum	840.1	864.7	......	4.71
Managed Exempt Mar 6	103.2	124.9	......	5.77
American Exempt Mar 6	123.0	128.9	......	3.47
European Exempt Mar 6	113.6	117.3	......	3.85
Japan Exempt Mar 6	109.2	111.6	......	0.18
Pacific Basin Mar 6	112.8	116.1	......	4.11

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
OC Managed	60.3	64.2	-0.5	3.17
OC Property	174.3	191.2	......	–

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt Accum	129.7	130.8	......	2.86

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
5-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	102.6	108.0	-0.2	-
Pension Managed Fd	99.6	104.9	-0.2	-
Life Deposit Fd	105.1	110.7	.....	-
Pension Deposit Fd	109.4	115.2	.....	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Cautionary	109.7	119.9	+1.1	-
Managed Growth	134.7	147.3	+0.9	-
Managed Opportunity	131.1	144.1	+1.1	-
NFMC Target Financial	101.2	108.3	+1.3	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	154.0	162.5	-0.5	-
Accum Equity	218.0	230.0	-1.0	-
Accum Managed	223.5	236.0	-1.8	-
Accum Five Star	166.5	175.5	+0.5	-
Accum World	120.0	127.0		-
Accum Lifetime	111.0	111.0	-0.1	-
Pens Acc Equity	236.5	249.5	-1.0	-
Pens Acc Managed	278.5	294.0	-0.5	-
Pens Acc Intl	201.5	213.0	-1.5	-
Pens Acc Deposit	193.0	203.5		-
Pens Acc Five Star	182.0	192.0	+1.0	-

Royal Heritage Life Assurance Ltd—Contd.
Pension Unit Trust Funds

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

Sun Life Unit Assurance Ltd—Contd.

CMI Insurance Co Ltd—Contd.

Chase de Vere PLC

Hambros Fd Mgrs (CI) Ltd

Providence Capital Life Assc. Co Ltd

Swiss Life (UK) PLC
101 London Rd, Sevenoaks 0732 450161

ECU Futures Plc

Edinburgh Money Management Ltd
41a Charlotte Square, Edinburgh EH2 4HQ 031 220 1244

Fairmount Glen Raiis Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$753 58			–
Fixed Income Shares	$875 04			–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$11.08		+0 02	–
Yamaichi ISS Fund	$7 96		...	–
Yamaichi CB Plus Fund	$8 66			–
Thai Inv Fund	$11.39		-0 03	–

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (a)						
29 Kildare Street, Dublin				010 353 1760 630		
GAM Universal US Dlr Acc		$–	112 32			–
GAM Universal US Dlr Inc		$–	112 32			–
GAM Universal DM Acc		DM–	112 20		..	–
GAM Universal DM Inc		DM–	112 20			–
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$–	1 01	1.00		–

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Bank of Ireland Unit Managers Ltd				
Global Scap	$10.00	10 32		–
European Bond	DM98.46	126.87		–
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$14 34	15.07	+0.07	1.05
Japan Tech.	$61.88	64.90	-0.74	–
Japan Fund	$26.19	27 51	-0.25	0.17
Japan New Gwth Fd.	$10.98	19 94	-0.16	–
Malay Sing	$56 57	59 41	-0.48	0.31
Nth American	$20.46	21.49	-0.37	0.50
Octopus Fund	$20 97	22 03	-0 07	0.88
Pacific Fd	$52.88	55.53	-0.00	–
International Bond	$16 56	17 40	+0.03	6.89
Tristar Warrant	$12.06	15 67	-0 06	–
Mngd Portfolio (Stlg)	£4.15	4.47	+0.03	–
Mngd Portfolio (Dlr)	$10 42	11.03	-0.06	–
Currency Fd-Sterling	£18 41		+0.01	–
Currency Fd-US Dollar	$14.86		+0.01	–
Curr Fd-Deutschemark	DM38 89		+0.01	–
Curr Fd-Managed $	$42.25	44.36	-0 11	–

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey				0534 73114		
Jersey Gilt Ut	5¼	108 151	0 171	0 180		15
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195 St Helier, Jersey				0534 27561		
Lloyds Tst Gilt	2½	9 556	9 571	9 001		11.30
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey				0534 37788		
Intl Circuit Portfolio	5	100 57	100 57	106 69	+0.36	0 00
Gilt	3	93 83	93 03	96.76	-0 87	10.33
For MIM see INVESCO MIM						
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey				0534 76077		
Govt Secs Fd	4	55 40	55 40	57 82	-0.08	11 24
TSB Trust Funds (CI)						
PO Box 538 St Helier, Jersey				0534 73494		
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	105 74	105 74	106 00	-0.03	12.75
Gilt & Fixed Interest	5	102 85	102.85	105 90	-0 02	11 63
Blue Chip & Gilt Edged	5	49 54	49.54	52 73	-0 27	5 50
International Bond	5	103 97	105 97	109 18	-0 13	7 52
UK Equity	5	98 16	98 16	105.87	+0 08	1.62
International Equity	5	102 25	102 25	109.30	-0 37	0.43
Far Eastern	5	86 61	86 61	90 62	-0.79	0 00
European	5	85.14	85 14	00.95	-1.54	0 02
Pan American	5	94.50	94 10	100 42	-1.02	0 79
TSB Gilt Fund Ltd						
Quarterly Share	3	93 00	98 00	101 08	+0 01	10.50
Monthly Share	3	95 96	95.96	98.97	+0.02	10.81

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£19 90		..	12.2
US Dollar	$20 44		+0 01	5 d
Deutschemark	DM52 46			7.6
Yen.	Y3,880		+0001	6.6
Managed Multicurrency	£12 46	12.91	-0 00	–
Managed Multicurrency	$24 92	25.81	-0.20	–
Bond Funds				
Sterling Bond	£0 404	0 420	+0 001	11.5
US Government Income	$96 45	99 88	-0 09	7.5
Asian Selection Funds				
Hong Kong	$11.452	12 055	-0.051	1.3

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Banks continue selling dollars

THE DOLLAR finished lower in Europe yesterday, but two days of co-ordinated central bank intervention hardly dented the market's enthusiasm for the currency.

At the London close there was no sign that the Federal Reserve had been active. Earlier in the day several European central banks, including the Bundesbank, joined in concerted intervention.

Apart from supporting the D-Mark, the Bundesbank sold dollars and bought yen, on behalf of the Bank of Japan. It was also reported in the market that the Bank of England bought yen against the dollar for the Bank of Japan, and earlier in Tokyo the Japanese central bank intervened on its own account.

Action by the Bank of Japan appeared to deter at least one speculative trader in Tokyo. This buyer of a large number of dollars on Monday was reported to have liquidated the holding at a loss yesterday.

There were few fresh economic factors. A widening in the fourth quarter US current account deficit was generally expected and had no impact. The deficit increased to $27.76bn from a revised $26.48bn in the third quarter, but the shortfall for the whole year declined to $99.30bn from $110.03 in 1989.

At the London close the dollar had fallen to DM1.5705 from DM1.5795; to Y136.25 from Y138.00; to SFr1.3620 from SFr1.3705; and to FFr5.3550 from FFr5.3800. Its index declined to 62.9 from 63.2.

Sterling improved against the dollar, but lost ground to the D-Mark as a result of the Bundesbank's support for its currency. News on UK inflation was not encouraging, but had little impact on sterling. A rise of 0.5 per cent in February output prices for manufactured goods was about double expectations.

Analysts noted that the January rise of 1.2 per cent was dismissed by Mr John Major, the Prime Minister, as suspect, and that base rates were cut two days after the announcement. Yesterday's data kept the year-on-year rate at a disappointingly high level of 6.3 per cent - as high as at any time in the last five years - but any dampening of speculation about lower UK interest rates was more evident on the futures market than in cash trading, where London interest rates continued to fall.

Sterling gained ¾ cent to $1.8585, but fell to DM2.9175 from DM2.9225; to FFr9.9525 from FFr9.9575; SFr2.5325 from SFr2.5375; and to Y253.25 from Y255.50.

The pound remained slightly above the weakest placed French franc in the European exchange rate mechanism. The Spanish peseta was around its ceiling against the franc, but money market rates eased in Madrid on speculation that the Bank of Spain may cut its intervention rate at today's repurchase tender and that yields will fall at tomorrow's tender of one-year Spanish Treasury bills.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.650	-4.48	6.07	73
Italian Lira	1538.24	1531.67	-0.43	1.76	29
Belgian Franc	42.4032	42.2469	-0.37	1.70	26
D-Mark	2.05586	2.05078	-0.25	1.58	26
Dutch Guilder	2.31643	2.31170	-0.20	1.53	18
Irish Punt	0.767417	0.770240	0.37	0.95	-9
Danish Krone	7.84195	7.88081	0.50	0.82	-15
Sterling	0.696904	0.702018	0.73	0.59	-15
French Franc	6.89509	6.98641	1.32	0.00	-64

CURRENCY RATES

Mar 12	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.747619	0.702018
U S Dollar	6.00	1.39244	1.30856
Canadian $	9.98	1.60869	1.51086
Austrian Sch.	7	15.4004	14.4269
Belgian Franc	10.50	45.1011	42.2469
Danish Krone	9½	8.42078	7.88081
D-Mark	6.50	2.18683	2.05078
Dutch Guilder	7.75	2.46880	2.31170
French Franc	10¼	7.45443	6.98641
Italian Lira	12½	1634.20	1531.67
Japanese Yen	6	191.878	178.161
Norway Krone	8	8.55097	8.01756
Spanish Peseta	-	136.242	127.650
Swedish Krona	10.00	8.09425	7.57395
Swiss Franc	6.00	1.90416	1.77964
Greek Drach	19	N/A	221.121
Irish Punt	-	N/A	0.770240

† European Commission Calculations.
* All SDR rates are for Mar 11

OTHER CURRENCIES

Mar 12	£	$
Argentina	17270.0 - 17372.4	9280.00 - 9290.00
Australia	2.4215 - 2.4235	1.2995 - 1.3005
Brazil	423.470 - 424.070	227.550 - 227.750
Finland	7.0075 - 7.0210	3.7650 - 3.7680
Greece	312.25 - 317.25	167.45 - 170.15
Hong Kong	14.5135 - 14.5270	7.7935 - 7.7965
Iran	123.30	66.50
Korea(Sth)	1332.85 - 1354.35	722.20 - 728.00
Kuwait	N/A	N/A
Luxembourg	60.15 - 60.25	32.35 - 32.45
Malaysia	5.0770 - 5.0850	2.7285 - 2.7305
Mexico	5534.60 - 5539.45	2974.00 - 2984.00
N.Zealand	3.1135 - 3.1185	1.6710 - 1.6735
Saudi Ar.	6.9730 - 7.0145	3.7490 - 3.7510
Singapore	3.2380 - 3.2455	1.7415 - 1.7435
S.Af (Cm)	4.8485 - 4.8605	2.6115 - 2.6130
S.Af (Fn)	5.9100 - 6.0060	3.1745 - 3.2260
Taiwan	50.45 - 50.55	27.10 - 27.15
U.A.E.	6.8300 - 6.8705	3.6720 - 3.6740

* Selling rate

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8550 - 1.8670	1.8580 - 1.8590	1.00-0.98cpm	6.39	2.63-2.60pm	5.63
Ireland†	1.6930 - 1.7010	1.6935 - 1.6945	0.63-0.58cpm	4.29	1.70-1.60pm	3.90
Canada	1.1530 - 1.1570	1.1545 - 1.1555	0.33-0.36cdis	-3.58	0.90-0.96dis	-3.22
Netherlands	1.7630 - 1.7730	1.7720 - 1.7730	0.41-0.43cdis	-2.84	1.18-1.23dis	-2.72
Belgium	32.20 - 32.45	32.35 - 32.45	7.00-9.00cdis	-2.96	19.00-23.00dis	-2.59
Denmark	6.0120 - 6.0410	6.0300 - 6.0350	1.85-2.15oredis	-3.98	5.15-5.75dis	-3.61
Germany	1.5625 - 1.5740	1.5700 - 1.5710	0.35-0.37pfpm	2.75	1.03-1.06dis	-2.66
Portugal	135.50 - 136.15	135.50 - 135.60	85-92cdis	-7.83	255-275dis	-7.82
Spain	97.35 - 97.90	97.80 - 97.90	65-68cdis	-8.16	175-183dis	-7.32
Italy	1168.40 - 1175.25	1174.75 - 1175.25	5.80-6.30liredis	-6.18	16.60-17.60dis	-5.82
Norway	6.1150 - 6.1465	6.1375 - 6.1425	1.95-2.30oredis	-4.15	6.05-6.55dis	-4.10
France	5.3250 - 5.3625	5.3525 - 5.3575	1.31-1.37cdis	-3.00	3.80-3.92dis	-2.88
Sweden	5.7800 - 5.8015	5.7950 - 5.8000	2.55-2.80oredis	-5.54	7.40-7.85dis	-5.26
Japan	135.75 - 136.60	136.20 - 136.30	0.22-0.24ydis	-2.03	0.55-0.58dis	-1.66
Austria	11.0000 - 11.0600	11.0370 - 11.0420	2.40-2.80grodis	-2.83	7.00-8.10dis	-2.74
Switzerland	1.3550 - 1.3650	1.3615 - 1.3625	0.23-0.26cdis	-2.16	0.61-0.66dis	-1.86
Ecu	1.3060 - 1.3135	1.3070 - 1.3080	0.35-0.32cpm	3.07	0.97-0.92pm	2.89

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Mar 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¼ - 13	13¼ - 13	12¾ - 12⅝	12¼ - 12⅛	11¾ - 11⅝	11⅝ - 11½
US Dollar	6¼ - 6	6⅜ - 6¼	6½ - 6⅜	6½ - 6⅜	6⅝ - 6½	6¾ - 6⅝
Can. Dollar	9¾ - 9½	9¾ - 9½	9⅝ - 9½	9½ - 9⅜	9⅜ - 9¼	9⅝ - 9¼
Dutch Guilder	9¼ - 8¾	9¼ - 8¾	9 - 8⅞	9 - 8⅞	9 - 8⅞	9 - 8⅞
Swiss Franc	9¼ - 8¾	8¾ - 8½	8¾ - 8⅝	8⅜ - 8¼	8 - 7⅞	7¾ - 7⅝
D-Mark	7¾ - 7⅝	7¾ - 7⅝	9 - 8⅞	9 - 8⅞	9 - 8⅞	9⅛ - 9
French Franc	9¾ - 9⅝	9¾ - 9⅝	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	13 - 11	13 - 12	12½ - 12	12½ - 12	12¼ - 11¾	12⅛ - 12⅛
Belgian Franc	9⅝ - 8¾	9¼ - 9	9¾ - 9½	9¾ - 9½	9¾ - 9½	9⅝ - 9½
Yen	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½	8⅜ - 8¼	7¾ - 7⅝	7⅝ - 7½
Danish Krone	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10⅜ - 10¼	10⅛ - 10	10⅛ - 10
Asian $Sing	6⅝ - 6½	6⅝ - 6½	6⅝ - 6½	6¾ - 6⅝	6¾ - 6⅝	7⅛ - 7

Long term Eurodollars: two years 7⅝-7½ per cent; three years 8-7⅞ per cent; four years 8¼-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar 12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.859	2.918	253.3	9.953	2.533	[illegible]	[illegible]	[illegible]	[illegible]
$	0.538	1	1.570	136.3	5.354	1.363	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.343	0.637	1	86.81	3.411	0.868	[illegible]	[illegible]	[illegible]	[illegible]
YEN	3.948	7.339	11.52	1000.	39.29	10.00	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.005	1.868	2.932	254.5	10.	2.545	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.395	0.734	1.152	100.0	3.929	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.303	0.564	0.886	76.87	3.021	0.769	1	662.8	0.651	18.27
Lira	0.458	0.851	1.336	116.0	4.557	1.160	1.509	1000.	0.982	27.56
C $	0.466	0.867	1.360	118.1	4.640	1.181	1.536	1018	1	28.07
B Fr.	1.661	3.088	4.847	420.8	16.53	4.208	5.473	3628	3.563	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock index (Mar. 12)

	Open	Close	Change	High	Low	Open Int
March	1836.0	1805.0	-33.0	1845.5	1805.0	9,360
April	1852.0	1822.0	-31.0	1859.0	1821.0	1,486
May	1864.0	1864.0	-1.0	1864.0	1864.0	5
June	-	-	-	-	-	500

Estimated volume 6,869 Total Open Interest 11,351

£/$ FORWARD EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8585	1.8486	1.8324	1.8118	1.7820

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.8628	1.8646	1.8614	1.8468
Jun	1.8374	1.8384	1.8356	1.8210
Sep	-	1.8170	-	1.8014

BASE LENDING RATES

	%		%		%
ABN Bank	13	Co-operative Bank	13	Nat Bk. of Kuwait	13½
Adam & Company	13	Coutts & Co	13	NatWestminster	13
Allied Trust Bank	13	Cyprus Popular Bk	13	Northern Bank Ltd	13
AIB Bank	13	Dunbar Bank PLC	13	Nykredit Mortgage Bank	13½
● Henry Ansbacher	13	Duncan Lawrie	13	Provincial Bank PLC	15
B & C Merchant Bank	13	Equatorial Bank plc	13	Roxburghe Bank Ltd.	14½
Bank of Baroda	13	Exeter Bank Limited	13½	Royal Bk of Scotland	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	● Smith & Williman Secs.	13
Bank Credit & Comm	13	First National Bank Plc.	16	Standard Chartered	13
Bank of Cyprus	13	● Robert Fleming & Co.	13	TSB	13
Bank of Ireland	13	Robert Fraser & Ptnrs.	13½	Unibank plc	13
Bank of India	13	Girobank	13	● United Bk of Kuwait	13
Bank of Scotland	13	● Guinness Mahon	13	United Mizrahi Bank	13½
Banque Belge Ltd	13	● Hambros Bank	13	Unity Trust Bank Plc	13
Barclays Bank	13	Hampshire Trust Plc	14½	Western Trust	13
Benchmark Bank	13	Heritable & Gen Inv Bnk.	13	Westpac Bank Corp.	13
Brit Bk of Mid East	13	● Hill Samuel	13	Whiteaway Laidlaw	13
● Brown Shipley	13	C. Hoare & Co.	13	Yorkshire Bank	13
CL Bank Nederland	13	Hongkong & Shanghai	13		
● Charterhouse Bank	13	● Leopold Joseph & Sons	13		
Citibank NA	13	Lloyds Bank	13		
City Merchants Bank	13	Meghraj Bank Ltd	13		
Clydesdale Bank	13	McDonnell Douglas Bnk.	13		
Comm. Bk.of London Plc	13	Midland Bank	13		
		Mount Banking	13		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates stay soft

WHOLESALE INTEREST rates were slightly easier in London yesterday. The cash market remained optimistic about lower base rates, despite recent signals of caution from the Bank of England, but on Liffe short sterling closed at the day's lows, reflecting disappointment at high UK manufacturing output prices.

Three-month sterling interbank declined to 12⅛-12⅛ from 12⅜-12¼ per cent, and 12-month money eased to 11⅝-11½ from 11⅝-11½ per cent.

On Liffe March short sterling opened firm at 87.79 and touched 87.83, but closed unchanged at 87.75. June was the most active month, rising to 88.94, before finishing unchanged at 88.87.

UK clearing bank base lending rate 13 per cent from February 27, 1991

The Bank of England did not send another direct warning on rates, but kept short term borrowing costs high by not supplying enough help to take out the full underlying credit shortage on the money market.

A shortage of £900m was initially forecast. This was revised to £850m in the afternoon, and total assistance of £653m was provided.

An early round of help was [illegible] authorities bought £36m bank bills outright in band 1 at 12⅞ per cent. Before lunch another £351m bills were purchased, by way of £117m bank bills in band 1 at 12⅞ per cent and £234m bank bills in band 2 at 12¾ per cent.

The Bank of England did not operate in the bill market during the afternoon, but provided late assistance of around £265m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £416m, with Exchequer transactions absorbing £580m. These outweighed a fall in the note circulation adding £80m to liquidity and bank balances above target of £25m.

In Frankfurt call money eased to 8.70 from 8.75 per cent after the Bundesbank offered funds at a fixed 8.50 per cent for 28 days at this week's securities repurchase agreement tender. This will be needed to replace DM27.0bn draining from the market today as an earlier facility expires.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent and its five to 10-day repurchase rate at 10 per cent when injecting liquidity at a securities repurchase tender. Both rates have been unchanged since October 31, 1990.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.12) 3 months US dollars		6 months US Dollars	
bid 6⅜	offer 6½	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9
Broker loan rate	8¾
Fed. funds	6
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.01	Three year	7.27
Two month	6.06	Four year	7.49
Three month	6.03	Five year	7.68
Six month	6.16	Seven year	7.91
One year	6.32	10-year	8.04
Two year	7.02	30-year	8.21

Mar.12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.65-8.75	8.75-8.90	8.80-8.95	8.85-9.00	8.90-9.05	9.00
Paris	9¼-9⅛	9⅛-9⅜	9⅛-9⅜	9¼-9⅛	9⅜-9⅛	9.25
Zurich	7¾-7⅝	8⅝-8⅜	-	8-8⅜	-	-
Amsterdam	9.00-9.15	8.95-9.05	-	8.99-9.07	-	-
Tokyo	8⅛-8¼	8⅛-8⅛	-	8-8⅛	-	-
Milan	12⅞-13⅛	13⅛-13½	-	12⅞-13½	-	-
Brussels	8.75	9⅛-9⅛	-	9⅛-9⅛	-	-
Dublin	10⅝-10⅞	10⅛-10⅞	10⅛-10⅞	10⅝-10⅛	10½-10⅝	-

LONDON MONEY RATES

Mar 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	13⅛	12¾	12⅜	11¾	11⅞
Interbank Bid	13	12⅞	12⅝	12⅛	11⅝	11½
Sterling CDs	-	-	12⅝	12⅛	11⅝	11½
Local Authority Deps.	13⅛	13	12⅝	12⅛	11⅝	11½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	13½	12⅝	12½	11⅞	-	-
Company Deposits	-	-	12⅝	12¼	11⅞	11⅞
Finance House Deposits	-	-	12⅝	12¼	11¾	11½
Treasury Bills (Buy)	-	-	12½	11¾	11⅝	-
Bank Bills (Buy)	-	-	12⅝	11⅞	11⅝	-
Fine Trade Bills (Buy)	-	-	13⅛	12⅛	11⅞	-
Dollar CDs	-	-	6.45	6.45	6.47	0.92
SDR Linked Dep. Offer	-	-	8⅛	8⅛	8⅛	8⅛
SDR Linked Dep. Bid	-	-	8⅛	8⅛	8	8
ECU Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	9⅛
ECU Linked Dep. Bid	-	-	9⅛	9⅛	9⅛	9⅛

Treasury Bills (sell); one-month 12¾ per cent; three months 11¾ per cent; six months 11⅜ per cent; Bank Bills (sell): one-month 12⅝ per cent; three months 11⅝ per cent; Treasury Bills; Average tender rate of Discount 11.7613 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1991. Agreed rates for period Mar 26,1991 to April 22, 1991, Scheme I: 14.21 p.c., Schemes II & III: 14.63 p.c. Reference rate for period Feb 1,1991 to Feb 28, 1991, Scheme IV&V: 13.357 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from March 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8,1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,492 Set by CINEPHILE

ACROSS

1, 22 Impart glossiness to two Europeans (6,6)
4 See 22
10 Ready to listen and evict peer, perhaps (9)
11 Defeats officers, both on board (5)
12 See 27
13 Invalid clad in cotton fabric in Kent (10)
15 See 19
16, 30 Why is king inside after crush (drink) (6,6)
19, 15 Same glen, same little river – different spots (6,7)
21 See 7
23 Piece for boy first to render vocally, stimulating the phagocytes (10)
25 See 24
27, 12 Flag (British) in port, which is an absurdity (5,4)
28 Stripper may go steady (sic) (9)
29 Man is back at gallery – and will get lost? (8)
30 See 16

DOWN

1 Incendiary canard about Confederate soldier gaining distinction (4-4)
2 Find not guilty of translating "lex" "tea-cup"? (9)
3 Imitation hill, we hear (4)
5 Round room in prison (American) is a sort of eye (7)
6 Sultanate in favour of invading spirit of classical city centre (5-5)
7, 21 across Partner (FT's) in prison shows spirit due to spirit (5,7)
8 Start again raising birds with uncertainty (6)
9 See 21 down
14 Salad month, possibly: "please to put a penny in the —" (3,4,3)
17 Cattle, companion for a drunken sailor (9)
18 Part of New Zealand where there is wild Tory fanaticism (8)
20 Starting climb under pole (7)
21, 9 Prison where a surrealist painter tells stories of transatlantic bloomers (6,6)
22, 4 Do the passage floor between the wars (6,8)
24, 25 Revolution in Canton maybe requires sponge (5,4)
26 Jewish writer was changed in part (4)

Solution to Puzzle No.7,491

هكذا من الاصل

WORLD STOCK MARKETS

AUSTRIA — March 12 — Sch. — + or –

[illegible]

BELGIUM/LUXEMBOURG — March 12 — Frs. — + or –

[illegible]

DENMARK — March 12 — Kr — + or –

[illegible]

FINLAND — March 12 — Mks — + or –

[illegible]

FRANCE — March 12 — Frs. — + or –

[illegible]

FRANCE (continued) — March 12 — Frs. — + or –

[illegible]

GERMANY — March 12 — Dm. — + or –

[illegible]

GERMANY (continued) — March 12 — Dm. — + or –

[illegible]

ITALY — March 12 — Lire — + or –

[illegible]

NETHERLANDS — March 12 — Fls. — + or –

[illegible]

NORWAY — March 12 — Kroner — + or –

[illegible]

SPAIN — March 12 — Pts. — + or –

[illegible]

SWEDEN — March 12 — Kroner — + or –

[illegible]

SWEDEN (continued) — March 12 — Kroner — + or –

[illegible]

SWITZERLAND — March 12 — Frs. — + or –

[illegible]

SOUTH AFRICA — March 12 — Rand — + or –

[illegible]

AUSTRALIA — March 12 — Aust.$ — + or –

[illegible]

AUSTRALIA (continued) — March 12 — Aust.$ — + or –

[illegible]

HONG KONG — March 12 — H.K.$ — + or –

[illegible]

MALAYSIA — March 12 — MYR — + or –

[illegible]

SINGAPORE — March 12 — S$ — + or –

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

JAPAN — March 12 — Yen — + or –

[illegible]

CANADA

TORONTO

3:00 pm prices March 12

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
[illegible]					
71000	Canamax	38	37	27	
18700	Candor	$25⅞	25¼	25⅞	–¼
900	Cara Op	$16¾	15¼	16¾	
20200	Carena Dev	$13¼	13¼	13¼	
500	Cascades	$6⅛	5⅛	5⅛	
3300	Cntrl Cap	$7½	7¼	7¼	
39900	Cinepx Odn	460	435	445	–25
1200	Cntrl Fd A	400	475	495	
34300	Cominco	$23¼	23½	23⅛	–¼
2900	Coputalog	240	240	240	
[illegible]					
13900	Labatt	$24¼	23⅞	24	+⅛
113000	Lac Minls	$9⅛	8⅞	8⅞	–⅛
500	Lafarge	$18⅝	18½	18⅝	–¼
165600	Laidlaw A	$18¼	d17⅝	18	–¼
152600	Laidlaw B	$18⅞	d17⅝	17⅞	–1
900	Laurent Bk	$16⅝	15⅝	16⅝	–⅛
1400	Laurent Gp	$7⅞	7⅛	7⅛	–⅛
10600	Lawson Mar	$8⅛	8½	8½	+⅛
[illegible]					
5100	Rothmans	$55	54	55	+1
145400	RoyalBkCan	$25	24⅞	24⅞	+⅛
243400	RylTrustco	$9	5⅞	9	+⅛
33800	StLawrCm A	u$18	14⅞	15	+⅛
50500	Sceptre Rs	375	370	370	–5
2400	ScottPaper	u$19⅛	19⅛	19¼	
3200	Scotts Hos	$16⅞	16¾	16⅞	+⅛
[illegible]					

MONTREAL

3:00 pm prices March 12

Sales	Stock	High	Low	Close	Chng
[illegible]					
16800	Macmillan	$19¼	19⅛	19¼	
800	Memotec	$8¼	8¼	8¼	–⅛
231200	NatBk Can	$16½	16¼	16¼	
11900	Provigo x	$11⅞	11⅞	11⅞	+⅛
2600	Quebecor A	$17⅞	17½	17½	–⅛
1500	Videotron	$14½	14⅛	14½	+⅛

Total Sales 10,703,100 shares

INDICES

NEW YORK

DOW JONES	Mar. 11	Mar. 8	Mar. 7	Mar. 6	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2939.36	2955.20	2963.37	2973.27	2973.27 (6/3)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	93.97	93.60	93.70	93.71	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 1/10/81)
Transport	1119.36	1125.18	1141.57	1151.62	1166.26 (5/3)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.64	210.45	211.14	211.64	217.62 (11/2)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2975.50 (3003.47) Low 2923.27 (2934.90)

STANDARD AND POOR'S *								
Composite ‡	372.96	374.95	375.91	376.17	376.72 (5/3)	311.49 (9/1)	376.72 (5/3/91)	4.40 (1/6/32)
Industrials	443.48	446.41	447.30	447.26	447.26 (6/3)	364.90 (9/1)	447.26 (6/3/91)	3.62 (21/6/32)
Financial	28.65	28.73	28.90	29.01	29.15 (5/3)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	204.03	204.95	205.36	205.53	205.74 (5/3)	170.97 (9/1)	205.74 (5/3/91)	4.46 (25/4/42)
Amex Mkt. Value	354.86	356.31	355.26	354.66	356.31 (8/3)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	467.15	475.11	475.74	473.80	475.11 (8/3)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar. 8	Mar. 1	Feb. 22	year ago (approx.)
Dow Industrial Div. Yield	3.40	3.45	3.47	4.06

	Mar. 8	Feb. 27	Feb. 20	year ago (approx.)
S & P Industrial div. yield	2.82	2.89	2.19	3.21
S & P Indl. P/E ratio	18.38	17.75	17.77	14.52

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Unisys Cor	5,740,600	6	- ¼
RJ Nabisco	4,698,800	10	- ⅛
Savin Bus	3,755,100	⅞	+ 1/16
Nat Semi	2,171,600	7¼	+ ⅛
Philip Morris	1,950,800	67⅞	+ ¼
Citicorp	1,897,600	15⅛	+ ⅛
Comw Ed	1,826,300	39½	+ ½
IBM	1,804,500	129	- 2¼
Blockbuster	1,750,100	13¼	- ⅛
Gap Inc	1,710,400	46⅞	- 2⅛

TRADING ACTIVITY

† Volume (Millions)	Mar. 11	Mar. 8	Mar. 7
New York	161.600	206.850	197.060
Amex	12.358	16.970	15.507
NASDAQ	161.246	187.910	191.890
Issues Traded	2,046	2,047	2,038
Rises	645	769	740
Falls	923	788	842
Unchanged	478	490	456
New Highs	50	109	96
New Lows	1	5	2

CANADA

TORONTO	Mar. 11	Mar. 8	Mar. 7	Mar. 6	1991 HIGH	1991 LOW
Metals & Minerals	3204.30	3235.65	3237.50	3244.10	3284.18 (5/3)	2632.06 (9/1)
Composite	3555.00	3571.42	3564.04	3571.53	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1869.36	1877.20	1876.81	1884.27	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000, Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. * Figures in Saturday's & Monday's editions for March 5-7 were in error.

	Mar. 12	Mar. 11	Mar. 8	Mar. 7	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1429.4	1423.9	1415.2	1411.5	1429.4 (12/3)	1204.5 (16/1)
All Mining (1/1/80)	650.8	649.3	638.7	633.1	650.8 (12/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	505.16	508.78	511.73	508.84	511.73 (8/3)	390.34 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5816.48	5849.04	5822.67	5775.05	5849.04 (11/3)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	351.56	353.59	354.05	353.53	354.05 (8/3)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1065.6	1084.2	1089.4	1070.3	1089.4 (8/3)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	480.28	485.01	487.78	482.67	487.78 (8/3)	394.88 (15/1)
CAC 40 (31/12/87)	1795.48	1796.70	1828.14	1831.85	1831.85 (7/3)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	669.17	671.77	682.77	675.37	682.77 (8/3)	570.48 (15/1)
Commerzbank (1/12/53)	1902.60	1912.10	1942.3	1921.0	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1571.61	1565.78	1602.29	1580.46	1602.29 (8/3)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3658.07	3669.03	3653.19	3658.24	3669.03 (11/3)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1489.25	1476.24	1455.69	1433.97	1489.25 (12/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	581.62	580.85	578.32	575.80	582.09 (25/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26727.42	26669.37	26607.52	26397.96	26727.42 (12/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1981.83	1975.76	1967.11	1956.61	1981.83 (12/3)	1625.00 (17/1)
2nd Section (4/1/68)	3126.57	3115.59	3088.77	3089.90	3126.57 (12/3)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	599.69	605.85	601.30	599.81	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS TU.Rtn.Gen.(End 1983)	257.5	258.3	259.4	257.8	259.4 (8/3)	221.4 (16/1)
CBS All Shr (End 1983)	188.3	188.9	189.7	188.5	189.7 (8/3)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	725.58	729.89	735.00	727.21	735.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1020.61	990.24	986.36	971.43	1020.61 (12/3)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	407.43	410.64	414.37	414.72	414.72 (7/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1065.0‡	1105.0	1083.0	1083.0	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3354.0‡	3338.0	3284.0	3266.0	3354.0 (12/3)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	683.83	681.38	675.94	674.87	697.62 (4/1)	614.68 (16/1)
SPAIN						
Madrid SE (30/12/85)	280.74	282.88	277.03	272.59	282.88 (11/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1092.1	1099.5	1100.4	1100.3	1100.4 (8/3)	808.4 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	730.1	732.4	736.6	725.8	736.6 (8/3)	590.4 (14/1)
SBC General (1/4/87)	601.3	603.1	608.5	602.3	608.5 (8/3)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4875.79	4838.40	4588.44	4622.40	5181.98 (21/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	854.33	848.55	827.54	817.23	854.33 (12/3)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	520.1*	516.9	522.1	522.3	524.2 (18/2)	439.1 (16/1)

**Saturday March 9: Taiwan Weighted Price: 4743.57, Korea Comp Ex. 681.03.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 12 March 1991

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

00 pm prices March 12

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	9¼	AAR Corp	0.48	0.03	12	513	16¼	14⅝	14⅞	−¼
[illegible]	[illegible]	A L Labs A	0.18	0.01	20	61	26	25⅝	25⅞	
[illegible]	40⅞	AMP Inc	1.44	0.03	19	1058	53¼	52⅝	52⅝	−¾
60	44¼	AMR				882474	58	56¾	57½	+¼
2⅝	1⅜	ARX			2	57	1⅞	1⅜	1⅞	
[illegible]	41½	ASA	3.00	0.06	13	532	46⅝	46	46¼	
[illegible]	39¼	Abbott Lab			21	4315	47¾	46⅝	46⅞	−1⅛
[illegible]	9⅞	AbitibiPr	0.50	0.04	10	11	u13¼	12⅞	13⅛	
[illegible]	10⅜	ACM Gvt In x				405	11	10⅞	10⅞	−⅛
[illegible]	6¾	ACM GvOpp x				39	[illegible]	[illegible]	9¼	
8	6¾	ACM Gvt Sp	0.34	0.04		299	9⅞	[illegible]	[illegible]	
[illegible]	[illegible]	ACM Gvt Se				580	10⅝	10½	10½	−⅛
[illegible]	7⅝	ACM Man x				244	7⅞	7¾	7¾	−⅛
[illegible]	11⅞	ACM Mangd x				118	12½	12⅜	12⅜	
[illegible]	4⅞	Acme Cleve	0.40	0.06	19	17	7⅛	[illegible]	[illegible]	−⅛
6	4⅜	Acme Elect			15	35	5	4⅞	4⅞	
[illegible]	22⅞	Acuson			25	464	34⅞	33¾	34¼	−¾
[illegible]	14¼	Adams Expr	0.46	0.03	0	46	16⅝	16⅜	16⅜	−¼
20	16⅞	Adobe 12Pf				37	u20	19¾	19¾	
[illegible]	7½	Adobe Res			22	4	8⅝	8⅝	8⅝	
[illegible]	10	Ad Micro				10	28	27¼	27¼	−¼
[illegible]	4⅜	Ad Micro P	0.60	0.33	17	2808	[illegible]	6⅛	6⅛	−⅛
[illegible]	3⅛	Advest Grp			8	182	2⅞	2⅞	3⅞	+⅛
[illegible]	60⅞	Aetna Lf	2.10	0.06	7	1276	46¼	44⅞	46	−⅛
[illegible]	8⅝	Ahl A	0.24	0.02	27	264	[illegible]	[illegible]	[illegible]	−¼
[illegible]	12	Ahmanson	0.03	0.05	9	782	17⅝	16¾	16¾	−½
[illegible]	3⅞	Aileen Inc			3	93	3¼	[illegible]	3⅛	
[illegible]	51⅞	Air Pr Chm			15	504	67	60½	65½	−1⅜
26	18⅝	Airbne Frt	0.30	0.01	12	785	29⅞	22⅛	21⅜	+⅛
[illegible]	13⅛	Airgas Inc			16	20	16⅛	16	16⅛	+⅛
13¼	10	Airlease	1.00	0.12	6	43	12⅞	13½	13⅜	−⅛
32½	[illegible]	AlaPw6.16 x				z100	29½	[illegible]	28½	+2½
23⅜	21⅜	AlaPw PfA x				5	20	26	22¼	
100	100	AlaPw9.44 x				6	100½	100¼	100	

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s
15¾	6⅞	Borde Ch U	1.95	0.15	10	100
36⅝	28¾	Borden Inc	1.00	0.03	14	207
18½	10½	Bostn Celt			14	[illegible]
15½	14½	BostnE PfC				[illegible]
84	80	Bostn Ed 8				
26⅝	19½	Bowater x	1.20	0.05	10	[illegible]
11	6⅝	Brazil Fnd				[illegible]
27⅛	22⅞	BRE Prop x	2.40	0.09	13	[illegible]
32¼	24⅝	Briggs & S			10	[illegible]
78¾	61⅞	Bristol M	2.40	0.03	22	806
33⅞	24½	Brit Airwy x	1.58	0.05		6410
46⅞	42¼	Brit Gas			40	[illegible]
77½	66⅝	BP ADR x	5.35	0.07	11	[illegible]
31½	26⅝	BP Prudhoe			9	[illegible]
6⅝	6½	BP Wts93				220
27⅝	21	Brit Steel				4129
64½	51¼	Brit Tel			14	[illegible]
6¾	[illegible]	Broad Inc	0.20	0.02		7105
32½	28	BHP			9	[illegible]
29	29	BrklnPfd				x10
39⅝	27½	Brooklyn U			12	[illegible]
28	21¾	Brown Grp 4	1.60	0.06	16	[illegible]
12⅝	9	Brown&Shrp			8	[illegible]
29⅝	20⅞	Browning F	0.68	0.02	16	187
4⅞	2¼	BRT			1	[illegible]
16⅛	6¼	Brunswick	0.44	0.03	18	150
16⅜	14¼	Brush Well x	0.72	0.04	31	[illegible]
28¼	23⅝	Buckeye Pt	2.60	0.10	9	[illegible]
16½	13	Bunker Hill			0	[illegible]
13⅝	10¼	Burger K I x	1.60	0.13	10	[illegible]
12	6⅞	Burl Coat			12	[illegible]
22¼	26¼	Burl North x	1.20	0.04	10	148
39½	[illegible]	Burla Resc x	0.10	0.02	24	595
15	11⅜	Burnham Pt	1.36	0.09	51	[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36⅝	47¾	Quaker Oat	1.56	0.03	19	742	56½	26	56⅛	−⅛
12⅞	9¾	Quaker St	0.88	0.07	16	151	12⅛	12	12	−⅛
18⅜	11⅜	Quanex	6.48	0.03	9	704	u18½	16⅜	16⅝	+⅛
19⅝	11⅜	Quantum Co				211747	17	16⅝	17	+¼
14⅞	10½	QuestVal D	0.40	0.03		126	14	13⅞	13⅞	−⅛
13½	19⅝	QuestVal P s				185	u13½	13¼	15½	+⅛
38⅞	33¼	Questar	1.56	0.05	12	97	37⅞	37¾	37⅛	−¼
16⅛	10	Quick R'ty	0.26	0.02	12	146	u18⅞	16½	10½	+¼

\- R - R -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11⅛	10⅝	RAC Incm 4	0.42	0 24		20	11⅝	11¼	11⅜	−⅛
7	4⅞	RAC Mortg	0.60	9.80	7	596	u7⅛	9¾	6⅞	
10⅞	4½	RJRNab W89				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅞	10¾	Wyle Labor	0.20	6.02	11	46	14½	14¼	14¼	−⅛
19	14⅝	Wynns Int s	0.60	6.26	11	21	19½	19¼	19⅜	−⅛

\- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59	35¼	Xerox	5.28	6 26		102620	28½	57⅝	28¾	+⅛
49½	43¼	Xerox4.125				11	48¾	48¼	43	
21	14⅛	Xtra 1.94				28	20½	20⅜	20⅜	−⅛
24⅝	14¼	Xtra Corp	0.72	0.03	12	25	23⅞	23⅞	23⅞	
1½	⅞	Zapata				02430	1⅛	1	1	
0¾	6⅛	ZenithElec				45603	u9⅛	8⅞	8⅛	+⅜
17¾	12	Zenith Nat	1.88	0 60	36	162	u18¼	17¼	17¼	−⅛
5⅜	4½	Zenix Ino	0.28	0.30		177	3½	5⅛	5⅜	−⅛
13½	10⅞	Zero Corp	0.72	0.06	14	118	u13½	13¼	13½	+⅛
41⅞	29½	Zurn Ind s	0.88	6 30	16	355	39¼	35⅝	39⅜	−¼
12⅞	10¼	Zweig Fund				85	12⅜	12¼	12¼	−⅛
8¾	8½	Zweig Totl				349	u9¾	9½	9⅝	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices March 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet HI&P	0.31	3	18	7⅛	7¼	7⅜	+¼
Phil LD x	0 16	0	579	u15¾		15	13½

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices March 12

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wlm'nTst	1.44	18	284	42¼	41	41⅜	+¼
Wiser Oil	0.40	20	313	16⅞	16⅜	13⅝	−⅝
Wolohan L	0.28	8	38	15⅜	15¼	15¼	
Wolv Expl		1	164	1⅞	1⅜	1⅜	
WrvExW93A			28	⅞	½	½	
Worthgtn I	0.60	18	5758	23⅝	23¾	28⅜	
WPP Group		2	3451	0⅝	5⅛	5½	−1⅜
Wyman-Gdn	0.40	14	2339	7¼	7	7	+⅛

\- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		44	2981	21¼	20	20⅞	−1⅛
XL Data		8	96	6¾	6¼	6½	+¼
Xoma Corp		17	2320	28	28¾	28⅞	−1⅛
YankeeS6 x	1.28	16	140	u21¾	20½	21⅜	
Yellow Fr	0.94	12	194	22	29¾	28⅜	−½
York Rsch		17	1878	18	10⅜	10⅜	−1⅜
ZionsUtah	9 86	9	14	30	50	88	−¾

AMERICA

Earnings and economic fears depress equities

Wall Street

CONCERN about corporate earnings and the economy pushed equities slightly lower in moderate trading yesterday morning, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was off 1.49 at 2,937.87, recovering from its day's low of 2,928.22. The index fell 15.84 points on Monday to 2,929.36. On the big board, declining issues led those advancing by a ratio of four to three.

Among featured stocks, Data General jumped $1⅛ to $12⅞ in active trading ahead of an expected announcement of a new Unix Network service today.

Shares in Blockbuster Entertainment, a holding company for video rental shops, dropped $1⅛ to $12¼ in very heavy trading. Although the company expects first quarter earnings to advance by between 10 per cent and 20 per cent, the estimated growth is significantly less than the 40 per cent that many analysts had been forecasting.

Humana fell $⅝ to $47⅞ after the company said it expected second quarter earnings of 83 cents a share, towards the low end of analysts' expectations. In the second quarter of last year Humana had net earnings of 75 cents a share.

RJR Nabisco Holdings was extremely active yesterday morning, dropping $⅝ to $9⅞ as the stock mirrored the performance of the company's widely held, high-yield junk bonds. An analyst at Prudential Securities said that the company's near-term performance may be hurt by a number of factors, including a sharp drop in domestic tobacco volume.

Unisys was one of the most active issues on the New York Stock Exchange for a second day, losing $¼ to $5⅝. An executive said late on Monday that Unisys might liquidate most of its finance unit's portfolio by the summer. Unisys is burdened by $3.5bn of debt still outstanding.

The sell-off in technology issues continued yesterday morning, with IBM losing $1⅜ to $127⅞ after falling $2¼ on Monday.

Among other actively traded blue chip issues, Philip Morris was off $⅛ at $66⅞ and PepsiCo was unmoved at $32⅛.

Secondary issues declined more steeply than big board stocks yesterday morning, with the Nasdaq composite sliding 2.60 to 464.55 by midsession, after losing nearly 8 points on Monday.

The erosion in over-the-counter issues was led by the technology sector. Trading was very active in Microsoft, which lost $1¼ to $98⅞. The Federal Trade Commission is investigating the company's competitive practices in relation to its role as a supplier of both system and applications software.

Among other declining technology issues in the secondary market, Chips & Technologies plunged $3 to $10¼ after saying that it expected its third quarter operating loss to exceed its second quarter loss of 2 cents a share.

Kulicka & Soffa fell $1⅛ to $8½ after the company, which is involved in the semiconductor business, said that it expected to post a second quarter loss related to the deferment of $2m in shipments to the third quarter.

Immunomedics climbed $1⅛ to $7 after Kemper Securities initiated coverage of the stock with a buy recommendation.

Canada

TORONTO stocks were narrowly mixed at midday in thin, featureless trade.

The composite index edged up 0.60 to 3,555.7. Declines led advances by 224 to 181 on slack volume of 12.16m shares.

Laidlaw led the most actives list, falling C$⅛ to C$18⅝. Bank stocks continued to be active, with the Bank of Montreal up C$⅛ at C$34⅜ and Royal Bank C$¼ higher at C$25. Toronto Dominion fell C$⅛ to C$18½.

Alcan gained C$⅜ to C$26⅞ in active trade and Inco edged up C$⅛ to C$36⅞.

Golds were generally lower, with Corona down C$⅛ at C$5⅞ and American Barrick C$⅛ lower at C$24.

EUROPE

Bourses continue consolidation after recent strength

BOURSES mostly marked time yesterday, as they continued to consolidate after their recent strength, writes Our Markets Staff.

FRANKFURT closed mixed, with strength in the automotive sector, construction and specialised chemicals offset by a flat day for financials, steels and engineering, and weakness in some retailers.

Dealers said that shares had been pulled in different directions by short-covering, foreign selling and low-volume domestic buying. The DAX index closed 5.83 higher at 1,571.61 after a 2.60 fall to 569.17 in the FAZ at midsession, and turnover slid again from DM6.4bn to DM5.7bn.

BMW rose DM4.50 to DM507.50 and Daimler gained DM7.10 to DM652.60, but Volkswagen continued to move the other way, falling DM3.30 to DM389.50 as more investors heard of the downgrading of the stock by Degab, Deutsche Bank's investment analysis unit.

Continental slid DM4 to DM218 before today's shareholders' meeting today, which will debate and vote on motions related to Pirelli's merger proposals.

In construction, Bilfinger & Berger rose DM25 to DM863 after a recommendation by County NatWest, which says that the likelihood of a dividend increase is high. Hochtief put on DM23 to DM1,316.

PARIS finished almost unchanged in moderate trading, as Wall Street's early weakness kept the mood subdued. The CAC 40 index closed 1.22 lower at 1,795.48, after oscillating between a high of 1,810.09 and a low of 1,782.64.

One of the day's few significant winners was Eurotunnel, which gained FFr1.35 or 2.7 per cent to FFr51.50. Suez, the banking, industrial and insurance conglomerate, rose to FFr329 after announcing plans to sell assets, but ended only 50 centimes higher at FFr325.50 with 287,120 shares traded.

LVMH, the luxury goods group, slipped FFr22 to FFr3,830 on 15,870 shares. After the market closed, it made the expected announcement that it was selling its Lanson champagne business to Marne et Champagne.

Le Carbone-Lorraine, an electrical and chemical engineering subsidiary of Pechiney, closed FFr26 or 3.4 per cent lower at FFr749. The stock was suspended from trading throughout the morning owing to heavy selling pressure, following talk of a worse-than-expected fall in 1990 profits.

MILAN ended slightly higher in technical trading as the monthly options contracts expired. Dealers estimated that roughly 75 per cent of contracts set to expire were taken up. The trading account ends tomorrow. The Comit index rose 0.79 to 581.64.

Saipem, the copper prodncer, soared L120 or 6.9 per cent to L1,849 following news on Monday that the group had won a contract from tha Kuwait Petroleum Corp to build a water pipeline in Kuwait.

Pirelli, the tyre and cahle maker, fell L16 to L1,799 before Continental's extraordinary meeting today.

MADRID edged lower in a mild correction after tha bourse's recent strength. The general index dipped 2.14 to 280.74 in moderate trading; foreign investors mostly stayed away. Investors are expected to keep a close eye on interest rate signals today, and the inflation figures tomorrow.

The National Stock Market Commission said that turnover on the Madrid bonrse rose slightly last year to Pta4.1 trillion from Pta4 trn in 1989, although total turnover on the four Spanish bourses slipped 0.6 per cent to Pta4.9 trn.

ZURICH continued to consolidate in light profit-taking, the Crédit Suisse index easing 1.6 to 551.1. High domestic interest rates and the central banks' continuing attack on the dollar affected sentiment, and volume was light.

Profit-taking mostly hit industrials. Banks and insurers ended slightly lower, with CS Holding SFr10 aasier at SFr1,745 whila Swiss Bank Corp, which is due to release its 1990 results today, rose SFr1 to SFr269.

AMSTERDAM recoverad most of its early losses. The CBS Tendency index closed at 93.1, down 0.2 on the day but up from the opening 91.7, in turnover of Fl 697.5m.

Ahold, the retailer, fell Fl 1.20 to Fl 76 after warning that earnings growth would slow in 1991.

STOCKHOLM partially recovered from sharp early losses. The Affärsvärlden General index shed 7.4 to 1,092.1 in turnover of SKr394m.

Trading in Esselte, the office equipment maker, was suspended in tha morning pending further information today. Dealers said it was likely that a new ownership structure would be announced.

HELSINKI retreated for a second day after the market's sharp rise last week. The Hex index lost 18.6 or 1.7 per cent to 1,065.8 in turnover of FM35.7m, including FM22.9m worth of free shares. Huhtamäki free series I shares lost FM3 to FM105; the company reported a rise in 1990 pre-tax profits.

OSLO declined as other European markets fell and uncertainty about the Opec meeting in Geneva subdued trading. The all-share index shed 2.01 to 499.67 in turnover of NKr265m.

BRUSSELS closed mostly lower. The cash market index fell 32.56 to 5,816.48.

ATHENS slipped, the general index falling 28.90 or 2.3 per cent to 1,233.24.

FT-SE Eurotrack 100 - Mar 12

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1083.44	1081.26	1082.75	1083.46	1084.82	1085.28	1085.08	1085.23

Day's High 1085.36 Day's Low 1080.98

Mar 11	Mar 8	Mar 7	Mar 6	Mar 5
1085.40	1097.05	1087.99	1089.64	1064.17

Base value 1000 (26/10/90)

ASIA PACIFIC

Firmer yen and bond prices trigger late rally for Nikkei

Tokyo

SHARES traded in a narrow range yesterday, but a rise in the yen and in bond prices triggered a late rally and the Nikkei average rose for the fifth consecutive session, *writes Emiko Terazono in Tokyo.*

The index closed 58.05 higher at 26,727.43, after a day's peak of 26,744.54 and a low of 26,605.66. Volume contracted from 550m to 500m shares as big investors held the sidelines ahead of the year-end book closing. Miss Benedicte Ivey at Crédit Lyonnais Securities said there would be less volatility in the market in the short term due to the absence of major domestic investors. "But there will be moves in certain stocks aimed at tokkin bailouts," she added.

Declines led advances by 532 to 475, with 150 issues unchanged. The Topix index of all first section stocks put on 8.07 points to 1,981.83, but in London the ISE/Nikkei 50 index eased 2.59 to 1,520.45.

Financial markets focused on the yen, which ranged between Y135.70 and Y138.05 against the dollar in volatile trading, strengthening in the afternoon on reports that the desirable range set by the Bank of International Settlements was between Y130.00 and Y135.00.

Precision and high-technology issues with high export ratios were sought on the stronger yen. Nikon retreated Y30 to Y1,590, Fujitsu Y50 to Y1,220 and NEC Y20 to Y1,670.

Interest rate-sensitive issues were stronger as bond yields fell on comments by a Ministry of International Trade and Industry official calling for a discount rate cut. Utilities firmed, Tokyo Electric Power rising Y50 to Y3,920 and Kansai Electric Power Y70 to Y3,000. NTT gained Y40,000 to Y1.12m.

Financials were higher on similar hopes. Tokio Marine & Fire, the non-life insurer, advanced Y20 to Y1,380, Industrial Bank of Japan Y40 to Y3,400 and Nomura Securities Y60 to Y2,130. Ms Caroline Stone at Barclays de Zoete Wedd said prices of financial issues were pushed higher due to window dressing for the tokkin fund accounts.

Lion, a leading toothpaste and detergent manufacturer, forged ahead Y46 to Y900 in active trading. There were rumours that the company would merge with Shiseido, the cosmetic producer, but Shiseido officially denied this after the market closed.

Nissan Motor attracted investors in the morning on reports that the company will team up with the US Motorola to enter the cellular phone business. The stock later fell on profit-taking to close a net Y6 down at Y820.

Dainippon Ink climbed Y23 to Y634 on active individual and speculative buying. Traders said the issue was bought for short-term profits.

Pharmaceuticals were stronger on demand from individuals. Traders also noted short-term trading by institutional investors. Kyowa Hakko Kogyo appreciated Y50 to Y1,200 and Daiichi Pharmaceutical moved up Y20 to Y2,500.

In Osaka, the OSE average finished with a gain of 47.92 at 29,602.96 after volume of 92.7m shares. Nintendo, the games maker, fell Y400 to Y22,500 on the higher yen.

Roundup

PACIFIC Rim markets were concerned with domestic issues yesterday.

MANILA was boosted by better than expected 1990 results from Philippine Long Distance Telephone, which added 15 pesos at 415 pesos. The composite index added 30.37 or 3.1 per cent to 1,020.61 in turnover of 214m pesos, after 171m.

HONG KONG ended moderately lower in diminished turnover, after partially recovering from sharp morning losses. The market was cautious ahead of the Hongkong and Shanghai Banking results, which were to be released after the close of trading. The Hang Seng index lost 10.96 to 3,658.07 in volume of HK$1.26bn, after HK$1.69bn.

NEW ZEALAND was narrowly mixed after news about government budget estimates. *The government is now expecting* a budget deficit before asset sales of NZ$1.40bn this fiscal year ending June 30, more than double a previous forecast made in December. The Barclays index fell 11.18 to 1,348.61 in low turnover of NZ$6.14m.

AUSTRALIA edged up to its highest level in six months, but did not react significantly to the government's industry statement aimed at reducing business costs and improving the nation's export competitiveness. The All Ordinaries index ended 5.5 up at 1,429.4, off a high of 1,434.7, on turnover of A$174.17m.

KUALA LUMPUR saw profit-taking. The composite index shed 8.16 to 599.69 in turnover of 150.9m shares, after 201.5m.

TAIWAN reversed early losses. The weighted index fell to 4,799.51 before closing 37.39 ahead on balance at 4,875.79 after turnover of T$49.40bn.

SEOUL rose slightly on expectations that the economy will recover in the second quarter of this year. Sharp surges in securities shares, stemming from rumours that securities firms will be allowed to handle a wider range of business, also helped the market. The composite index put on 2.45 to 683.83.

BANGKOK closed only slightly higher as profit-takers emerged after a jump the previous day. The SET index added 5.78 at 854.33 in turnover of 7.2bn baht.

BOMBAY ended mixed in dull trading as state-owned investment houses moved to the sidelines after supporting the market for two weeks. The BSE index lost 8.82 to 1,165.90.

SOUTH AFRICA

INDUSTRIAL shares advanced to fresh highs, but gold and platinum shares slumped in Johannesburg as precious metals prices fell. The industrial index rose 16 to 3,354, but the all-golds fell 40 to 1,865 and the all-share eased 36 to 2,894.

Buying fervour propels Singapore higher

Joyce Quek on the best performer in the FT-A indices this year

SINGAPORE'S equity market is the flavour of the year, so far. At the end of last week, the island state led the FT-Actuaries World Indices with a 1991 rise of 31.1 per cent in local currency terms, a reflection of a buying fervour described as "people buying as if there is no tomorrow".

The pressure of pent-up liquidity, generated during 1990 when Singapore fell 17.8 per cent, against 40.4 per cent for Japan and 23.6 per cent for the world index, has increased in the past two weeks. Last Friday, the bourse chalked up its highest daily trading volume in two years at 250.4m shares.

The market, however, has now taken a breather. Since last Thursday's 1991 peak of 1,512.57, the local Straits Times Industrial index has fallen 35 points in three days; yesterday saw it 10.93 lower at 1,477.55, recovering from an early fall of 1.6 per cent, in turnover down from 222.6m shares to 180.9m.

Before that, equities had been climbing virtually nonstop for three weeks; 1991's first new issues, GP Batteries and Inter-Roller Bearings, were well received.

In 1990, the bourse went down with the rest of the world in spite of gross domestic product (GDP) growth of more than 8 per cent annually for the past three years. This year, GDP growth is expected to be 3 to 6 per cent, and there have been signs that interest rates are on the way down.

There may be some fine-tuning in prospect for Singapore's sector of the *Asia Pacific* region, however. Last year, Malaysia, its neighbour and rival for the affections for foreign equity investors, was one of the best performers in the region, with a fall of only 7.3 per cent in local currency terms. More recent signs that the Malaysian economy may be overheating have inclined some investors to switch to Singapore blue chips.

To a degree, they may now be switching back. Mr Toh Thian Ser, managing director of local brokers Ong & Co, had been on record with the recommendation of a two-to-one ratio for Singapore and Malaysian shares in international portfolios, partly on the fear that Japanese and Taiwanese interest in the latter appeared to be cooling.

Mr Toh has now revised his recommended ratio to around 55-45. "If the US pulls through the recession," he says, "Malaysia should provide better value."

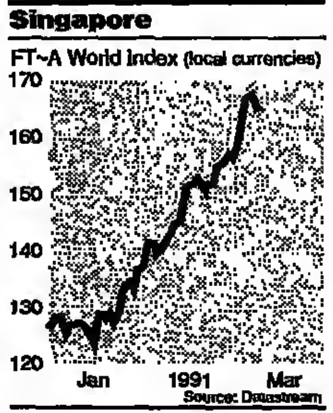
However, the feeling that the US may soon be recovering from a short recession has been good for Singapore, too. On this basis, Mr Toh believes that Singapore can easily sustain GDP growth of 5 to 6 per cent; he forecasts corporate earnings per share growth of 6.5 per cent in 1991 and 9.5 per cent next year.

Mr David C. Guest, Hoare Govett's director of research in Singapore, says this month will be important for the market. The results season, so far, has yielded generally healthy underlying performances, but there have been some unpleasant surprises in the shape of write-downs of short-term equity portfolios.

He predicts that investors are likely to return to their obsession of watching the US economy and, as the year progresses, the prospects there for 1992.

Singapore

FT-A World Index (local currencies)



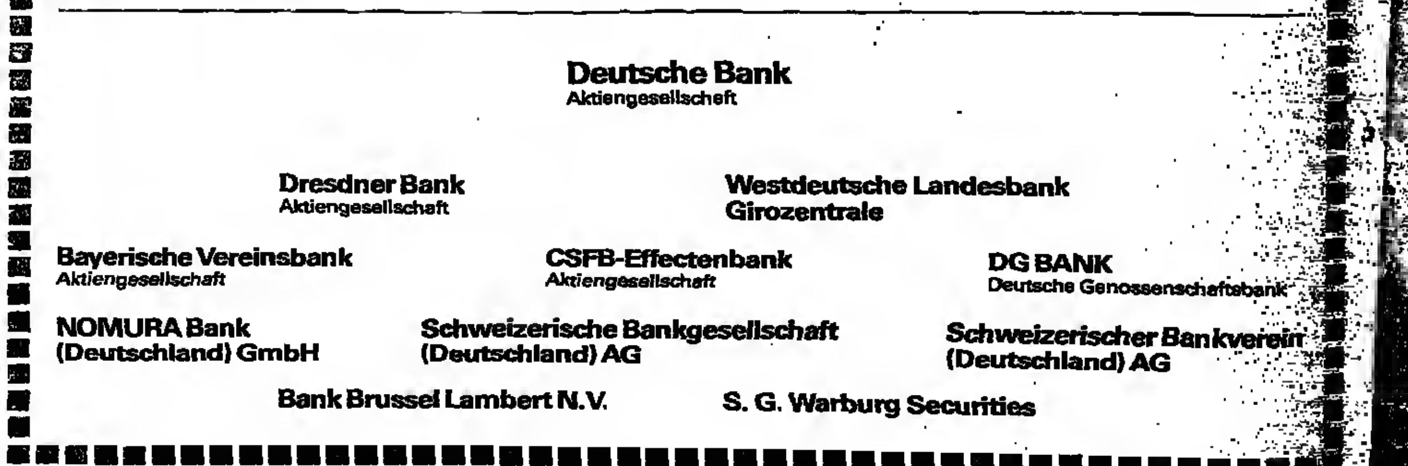
Source: Datastream

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 11 1991								FRIDAY MARCH 8 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	130.86	+0.2	104.81	114.15	107.46	113.49	+0.5	5.87	130.56	103.40	112.40	106.09	112.93	158.31	112.74	138.80
Austria (19)	213.04	−1.5	170.64	185.84	174.94	174.32	−0.4	1.57	218.19	171.22	186.13	175.58	175.05	285.63	167.00	272.20
Belgium (60)	150.57	−0.4	120.61	131.34	123.65	120.50	+0.5	4.88	151.20	118.75	130.17	122.87	116.88	160.02	121.73	142.15
Canada (116)	140.86	+0.1	112.82	122.87	115.66	117.86	−0.4	3.39	140.66	111.40	121.09	114.29	118.30	153.61	121.24	143.17
Denmark (32)	263.09	−1.2	210.73	229.50	218.04	218.57	−0.4	1.60	266.18	210.82	229.17	216.30	217.40	277.82	217.74	256.61
Finland (21)	122.94	−1.6	98.47	107.25	100.95	97.69	−0.6	2.88	125.15	99.12	107.75	101.70	98.46	152.29	90.61	144.24
France (113)	146.81	−2.8	117.59	128.06	120.55	123.90	−1.6	3.33	150.67	116.33	129.71	122.42	125.86	168.85	121.85	148.31
Germany (88)	118.75	−2.4	95.11	103.60	97.51	97.51	−1.4	2.33	121.70	96.39	104.79	98.89	98.89	144.63	101.38	127.16
Hong Kong (46)	148.68	+0.5	116.21	129.83	122.22	148.93	+0.5	4.51	148.07	117.27	127.46	120.33	148.15	148.83	112.24	118.96
Ireland (16)	178.02	+0.5	142.59	155.29	146.16	148.69	+1.8	3.08	177.16	140.31	152.53	143.96	146.03	198.57	132.88	161.90
Italy (91)	84.26	−0.6	67.49	73.50	69.19	74.21	+0.5	3.41	84.74	67.11	72.95	68.86	73.87	109.26	72.05	93.69
Japan (453)	139.57	−1.0	111.79	121.75	114.63	121.75	+0.3	0.70	140.92	111.61	121.33	114.53	121.33	167.26	106.58	157.32
Malaysia (34)	247.78	+0.4	198.47	216.14	203.47	260.86	+0.5	2.69	246.91	195.55	212.57	200.63	259.51	250.89	182.96	237.92
Mexico (12)	675.07	+1.6	540.71	588.88	554.36	2200.99	+1.6	0.31	664.16	526.02	571.82	539.71	2165.46	675.07	324.53	402.83
Netherland (40)	142.66	−1.8	114.27	124.44	117.15	115.93	−0.5	4.52	145.03	114.86	124.86	117.85	116.56	149.03	125.70	135.27
New Zealand (15)	47.35	+0.0	37.93	41.31	38.89	42.12	+0.0	8.07	47.36	37.51	40.78	38.49	42.13	75.36	41.16	63.96
Norway (30)	216.92	−1.6	173.74	189.22	178.13	181.14	−0.7	1.60	220.37	174.53	189.73	179.07	182.38	276.79	182.24	244.10
Singapore (25)	204.28	−1.9	163.62	178.20	167.75	164.50	−1.7	2.20	208.25	164.93	179.29	169.22	167.37	209.24	147.24	195.77
South Africa (60)	208.06	−0.2	166.65	181.49	170.85	146.70	+2.2	3.76	208.54	165.16	179.54	169.46	143.57	251.39	151.50	199.89
Spain (41)	170.73	+0.8	136.75	148.93	140.19	127.07	+1.6	4.46	169.45	134.20	145.89	137.69	124.78	182.25	128.54	147.06
Sweden (27)	200.08	−1.3	160.26	174.54	164.31	172.17	−0.6	2.41	202.63	160.48	174.45	164.66	173.23	234.93	146.60	177.81
Switzerland (65)	97.04	−1.6	77.72	84.65	79.69	82.45	−1.1	2.46	98.60	78.09	84.90	80.14	83.38	109.77	82.17	92.25
United Kingdom (296)	183.78	−0.8	147.20	160.30	150.90	147.20	+0.3	4.79	185.24	146.71	159.47	150.31	146.71	187.16	139.67	145.51
USA (526)	151.02	−0.5	120.96	131.74	124.02	151.02	−0.5	3.25	151.84	120.25	130.73	123.39	151.84	152.63	119.06	137.02
Europe (939)	148.54	−1.3	118.97	129.57	121.98	120.89	−0.3	3.87	150.47	119.17	129.55	122.28	121.19	157.65	124.81	135.84
Nordic (110)	196.75	−1.3	157.59	171.63	161.57	159.11	−0.5	2.00	199.29	157.84	171.58	161.95	159.96	223.29	155.55	190.38
Pacific Basin (650)	139.26	−0.9	111.54	121.48	114.36	122.00	+0.3	1.03	140.50	111.27	120.96	114.17	121.58	192.75	107.82	155.25
Euro – Pacific (1589)	143.41	−1.1	114.87	125.09	117.76	122.43	+0.1	2.24	144.94	114.79	124.77	117.77	122.32	174.18	118.03	147.75
North America (642)	150.31	−0.5	120.39	131.13	123.45	148.81	−0.5	3.28	151.06	116.64	130.07	122.77	149.60	151.83	119.26	137.29
Europe Ex. UK (643)	127.09	−1.7	101.79	110.88	104.39	105.49	−0.7	3.17	129.23	102.35	111.28	105.04	106.23	145.62	106.85	128.30
Pacific Ex. Japan (197)	134.76	+0.1	107.95	117.59	110.69	120.84	+0.3	5.00	134.61	106.81	115.91	109.40	120.50	146.72	111.40	128.91
World Ex. US (1777)	144.27	−1.0	115.55	125.86	118.47	123.05	+0.1	2.29	145.72	115.41	125.46	118.41	122.81	173.77	117.12	148.24
World Ex. UK (2007)	141.70	−0.8	113.50	123.82	116.37	130.18	−0.2	2.36	142.90	113.17	123.04	116.13	130.42	162.00	115.37	142.97
World Ex. So. Af. (2243)	145.05	−0.8	116.18	126.55	119.13	131.76	−0.1	2.62	146.28	115.85	125.95	116.88	131.95	161.84	116.04	142.83
World Ex. Japan (1850)	149.82	−0.8	120.08	130.79	123.13	137.17	−0.3	3.57	151.09	118.56	130.09	122.79	137.65	151.69	124.31	137.31
The World Index (2303)	145.44	−0.8	118.49	126.87	119.44	131.67	−0.1	2.83	146.66	116.15	126.27	119.18	132.03	162.05	118.33	143.18

Constituent change (12/3/91): Name change: Evered Holdings to Evered Bardon (U.K.). Latest prices were unavailable for this edition.



FINANCIAL TIMES SURVEY

INDUSTRY AND THE ENVIRONMENT

SECTION III

Wednesday, March 13 1991

Although fresh advances are being made by many industries in the developed world to meet stricter environmental controls, the pressures for a cleaner planet are continuing to intensify, says **John Hunt**, Environment Correspondent

Rising levels of concern

PRESSURE on industry to improve its environmental performance has steadily increased during the past year and all the signs are that it will continue unahated for many years to come.

The "green revolution" is driven by tougher national legislation and international agreements aimed at reducing pollution and cutting tbe massive amount of waste produced by consumer societies.

A recent report by the Paris-based Organisation for Economic Co-operation and Development (OECD) warns tbat despite the present recession, the massive consumption in its 24 member-countries – which include western Europe, the US and Japan – will place an immense strain on the world environment and resources.

Thesa industrialised countries represent only 16 per cent of the world's population and 24 per cent of its land area. But tbeir economies account for about 72 per cent of the world's gross product, 78 per cent of all road vehicles and 50 per cent of global energy-use.

In response to tbe raised level of environmental concern, business increasingly has to re-examine the entire industrial process. This involves a "cradle-to-the-grave" approacb, assessing the environmental impact of manufacturing, the raw materials used, energy employed, effluents and emissions produced and the final disposal of waste products.

Considerable improvements bave, in fact, already been made by industry to meet the environmental challenge. Total energy consumption by industry in OECD countries has fallen about 40 per cent since 1970 – following tbe significant rise in oil prices, plus efforts by industry towards greater energy-efficiency – while their contribution to gross national product bas remained stable.

In Sweden, for example, the paper industry's water requirements halved between 1960 and 1980, while its output doubled.

Despite the initial fears of industrialists, pollution control does not seem to have been unduly costly. Some estimates put it at 0.8 to 1.5 per cent of GNP in tbe industrialised world. The resulting reduction in environmental damage is believed to be far greater.

International chemical companies - especially the Dutch, German and Swiss – have substantially advanced their efforts on pollution control in the past decade. Corporate environmental programmes have been adopted as an integral part of a strategy to set goals and improve a company's "green" performance.

Massiva oil spills end blazing oil fields are taking a severe toll of the Gulf environment. Above, e Saudi government officer, Mohammed Al-Hader, examines an oil-coated dead Cormorant at Khafji. Black stains on tha beach are caused by oil efter an estimated 11m barrels were released by Iraqis from Kuwaiti terminals. *See paga 4: Costly clean-ups.* *(Picture by Bob Gordon).*

An important accessory in a wide range of industries is the use of the environmental audit to measure accurately whether environmental targets are being achieved.

Acquisition audits are increasingly used to assess the environmental quality of a company whicb may be taken over. This is widely employed in the US where a company may acquire a competitor only to find itself liable to pay buge soms to clean up pollution damage on its property.

Audits frequently bring to light outdated metbods and wasteful use of materials which can then be remedied. Considerable financial savings can often be achieved by cbanging procedures without the need for beavy capital investment in new technology.

Another important tool is the environmental impact assessment to see what affect the expansion of an existing plant or tbe scquisition of a new site will bave on tbe surrounding environment. For instance, when acquiring a new site, IBM csrries out a study to define the quality of the surrounding environment and to assess any emissions to land, air or water.

Environmental concern has, meanwhile, opened up big new markets for the sale of "green" technology to control pollution – from catalytic converters to reduce car emissions to electronic equipment to monitor processes and filtration systems to improve water quality.

A Britisb "think-tank," the Centre for Exploitation of Science and Technology, estimated recently that around £140bn could be spent on cleaning up the environment in the UK over the next ten years. For Europe, it estimates tbe sum at £860bn over tbe same period and for the US, £1,060bn.

These massive sums would be spent in measures to combat tbe greenbouse effect, reduce depletion of the ozone layer, reduce acid rain and pollution from beavy metals, improve waste management and clean up contaminated land.

Countries with lax environmental regulations could, bowever, lose out on this huge potential as their industries would not bave the incentive to build up a home-base from whicb to export environmental technology.

Meanwbile, international pressures for a cleaner planet continue to build up. Meetings of government officials take place throughout this year to draw up a framework conventioo to reduce greenbousa gases.

This process culminates next year at the world Environment and Development Conference in Brazil. Despite tbe scepticism of some scademics and scientists about the validity of the greenbouse hypothesis, the international momentum towards a global convention sppears unstoppable.

Such an agreemeot will have a substantial impact on the use of coal and oil, tbe fossil-fuels whicb produce carbon dioxide, the main greenhouse gas.

Tbe European Commission in Brussels recently proposed targets for large rises in the tax on petrol wbich would "give a clear signal to cut carbon dioxide emissions and protect the environment."

In western Europe, the tightening of national pollution regulations is often driven by tougber European Community agreements initiated in Brussels.

The EC Commission is working on its fifth environmental action programme it a move towards completion of tbe internal market by next year. The Single European Act stipulates that these policies must harmonise with the need to achieve a high level of environmental protection.

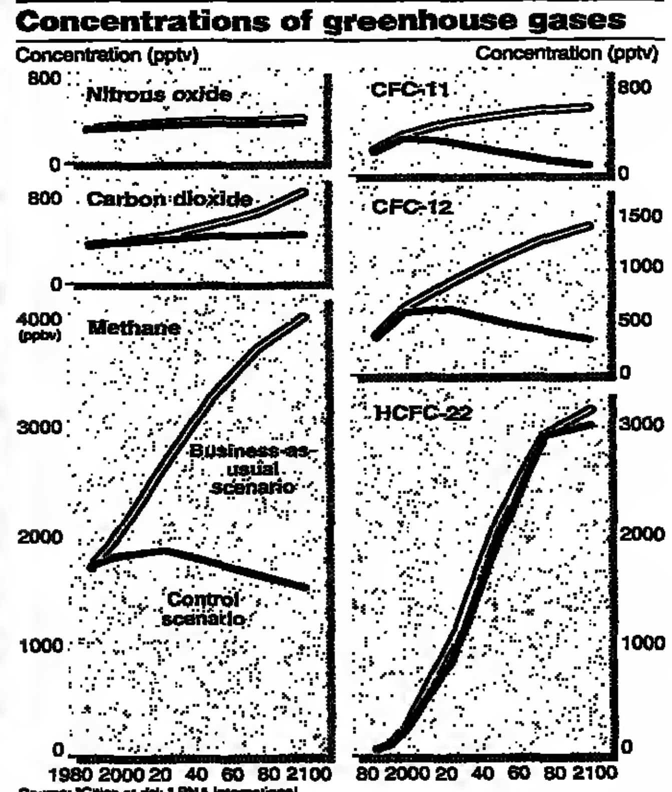
"This new action programme will be ambitious because environmental issues are now higher on the agenda of policy making in tbe community," says Mr Jos Delbeke, senior economist with the Commission's Environment Directorate.

He bas also signalled tbat the programme will make greater use of economic instruments for reducing pollution – a tendency that already has considerable impetus throughout the industrialised world.

Tbese instruments include "green taxes" such as carhon taxes on fossil fuels, environmental cbarges on polluting materials, fiscal incentives to reduce pollutinn and deposits on bottles and containers to minimise waste. They are a way of using market forces to

Continned on next page

Concentrations of greenhouse gases



Source: "Cities at risk," BNA International

☐ ***Atmospheric concentrations* of tha main "greenhouse gases," which many belleve lead to global warming, rise substantially in these projections by 200 sciantists of the Intergovernmantal Panel on Climate Change. The "control scenario" assumes there is a shift away from the uaa of fossil fuels.**

☐ See *page 2*: Tough choices yel lo be mada.

Steps towards combating the threat of global warming

Tough choices yet to be made

Grand proclamations to prevent global warming have so far resulted in little specific action, reports Deborah Hargreaves

RECENT snowfall in the Algerian Sahara desert was the first for 30 years and the UK has suffered its coldest weather this year since 1987 – events which undermine the arguments of some scientists who claim that the world is getting inexorably warmer.

But the proponents of global warming say that, just because central London receives nine inches of snow, is no reason to be complacent about the destruction of the ozone layer. The progression towards an increase in the world's temperature by 1C in 2025 is a trend which does not mean every year will be hotter than the last. Last November, Mrs Margaret Thatcher, who was then the UK prime minister, was urging swift action to draw up an international convention to combat global warming. Her views have been echoed by leaders across the world who, in high-faluting hyperbole, declare they will save the planet.

The 130 countries attending the World Climate Conference in Geneva in November did at least make some steps towards combating global warming by agreeing to enter negotiations to agree an international convention by 1992. This could have far-reaching consequences for the world's economy, particularly for energy and transport systems.

But so far, the grand proclamations have resulted in little specific action. Green lobbyists have been pushing governments to announce targets for cutting carbon dioxide emissions, but the world's greatest energy-user, the US, has resisted this along with the USSR – and both countries are large wasters of energy.

Europe and Japan have gone further by setting targets to cut emissions, but so far, they have been rather vague about how to achieve them. The UK, for instance, said it will stabilise its carbon dioxide emissions by 2005 which, Mrs Thatcher said, along with other measures underway, would reduce the UK's contribution to greenhouse gases by 20 per cent. But the government has come up with few specific proposals as to how this will be achieved.

Carbon dioxide emissions come from burning fossil fuels and deforestation, more specifically, vehicle exhaust fumes and industrial pollution are major causes of the so-called greenhouse gases. Mr Chris Elsworth, campaigner for the environmental group, Greenpeace, points out that the West Germans have been at the forefront of the green debate and have pledged to cut emissions by 25 per cent over the next decade – "industry sees this as an investment decision," he says, "they can make money out of it." The Germans are leading the market in anti-pollution equipment such as desulphurisation machinery and Japan is putting a lot of money into research. But President George Bush's recently-released national energy strategy gives few sops to the greens. The plan announces moves to boost domestic oil production, rather than rely so heavily on imported oil, but says little about conservation.

The report recommends only a study of changes in car mileage efficiency, rather than raising standards as many environmentalists had hoped. His plan has been criticised by environmentalists as "nothing more than an answer to the prayers of the oil, nuclear and auto industries." One of the difficulties in convincing politicians to take specific action to stop global warming is that the scientific evidence of the warming trend is not conclusive. Mrs Thatcher, speaking at the World Climate Conference said climate change may be less severe than forecast, but it might also occur more quickly than current computer models suggest – "should this happen, it would be doubly disastrous were we to shirk the challenge now," she said. But this has proved little more than rhetoric in the face of industry's entrenched and powerful lobby. Prof. John Houghton, chief executive of the UK Meteorological Office and chairman of the UN scientific panel on climate change says scientists in the panel, "are certain that increased emissions of greenhouse gases will result in additional warming of the earth's surface." But "there are many uncertainties in our predictions, particularly with regard to the timing, magnitude and regional patterns of climate change."

The scientists have called for two sorts of action to slow down global warming: the first calls for a stabilisation or reduction in carbon dioxide emissions. The second calls for action now to stabilise the concentration of carbon dioxide in the atmosphere at some level by about the middle of the next century.

In the UK government's white paper on the environment, it highlights difficult choices to be made, both for home-owners and industry. It points to the need to encourage energy efficiency, renewable energy sources and to address transport issues, but makes few specific recommendations.

However, far from putting more resources into energy efficiency, Mr Andrew Warren at the Association for the Conservation of Energy, says the government has almost halved the budget of the Energy Efficiency Office to £15m from £26m in 1986-1987. In addition, he maintains that the UK market for energy conservation items such as insulation and heating controls has dropped by 28 per cent in the last two years. Government action is haphazard and has so far done little to address emissions by industry.

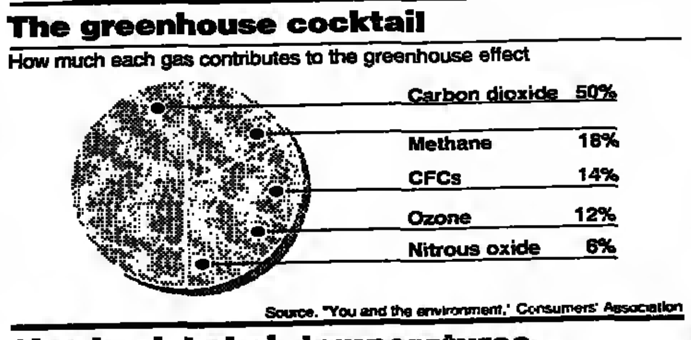
Environmental action groups are calling for a wider partnership between industry, government and the electricity generators to develop more energy efficient corporate strategy. Greenpeace cites a US example as the sort of co-operation it is calling for: the Bonneville power facility agreed and co-funded an energy efficiency plan for an aluminium smelter on its grid.

This plan decreased the overheads of the aluminium company so that it could produce constantly instead of being subject to fluctuations in world metal prices, and it ensured a consistent throughput for the utility instead of large surges in power demand.

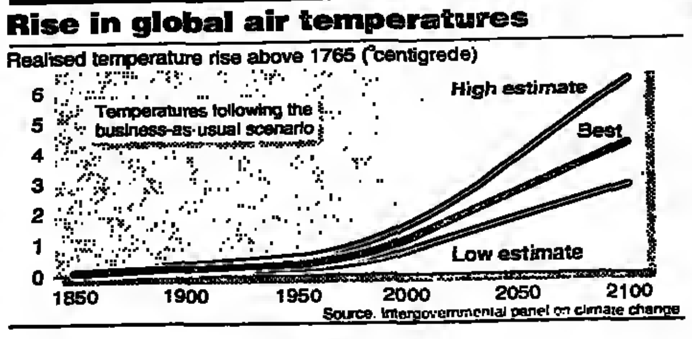
Many large companies are being forced by the heightened awareness of environmental issues and public concern over global warming to put the environment at the top of their agenda.

Mr John Collins, chairman of Shell UK, says that, along with European issues, the environment is his main focus. Shell is involved in an environmental audit for each of its businesses which should show up areas that can then be addressed with a specific action plan. Mr Collins said the study showed the company was flaring too much gas which makes a major contribution to greenhouse gas emissions. It is now looking at how to operate its rigs safely without the need to flare so much.

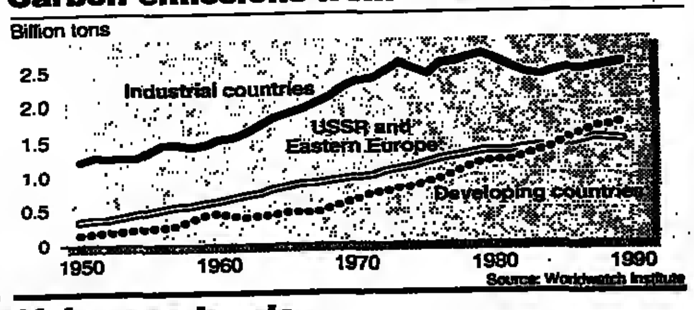
The greenhouse cocktail



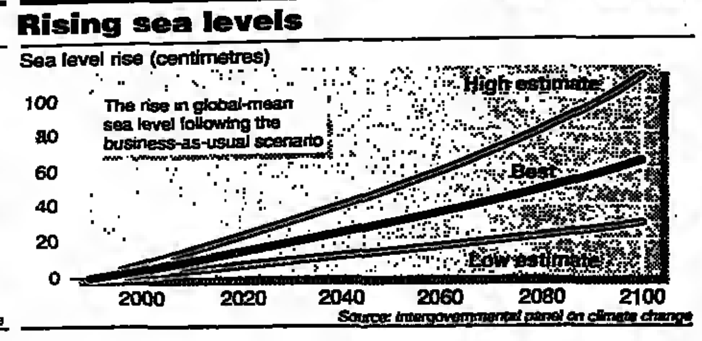
Rise in global air temperatures



Carbon emissions from fossil fuels



Rising sea levels



New penalties and subsidies for industry

More sticks and carrots

WHEN it comes to cleaning up the environment, kinder, greener governments are turning to the stick and carrot.

Market mechanisms, or economic instruments of environmental policy, are mostly of the stick variety. A range of different charges is applied in the main industrialised countries, with greater degrees of force in the US and Europe than in Japan.

The prevalence of the charge over the subsidy – the carrot government dangles before industry – is a result of the growing need to reduce budget deficits and spend more on environment at all levels.

Mr Robin Bidwell, director of Environmental Resources, a London-based consultancy, explains: "The main point of charges is to influence behaviour without command-and-control regulation. If people are required to pay a fee every time they do something, they will do it *better*. And if unleaded petrol is offered at a discount to leaded petrol, then people will buy it."

But subsidies have a large role to play, too. Governments justify their use by arguing that they speed up and provide incentives for industry to invest in the environment; develop clean technology or products; and compensate industry for the costs of meeting externally-imposed standards.

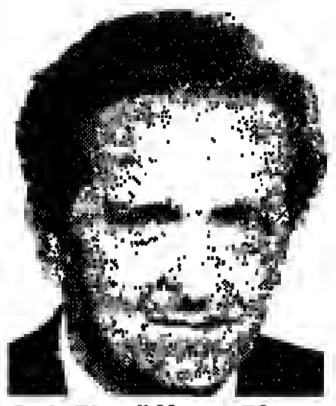
By raising revenues through charges, governments can use both the stick and the carrot at once.

ERL has produced a report on charging and subsidy systems for the UK's Department of the Environment, covering the UK, Germany, France, the Netherlands, Italy, Norway and Sweden, Spain and Japan. It discovered that a large proportion of the revenues raised from charges was returned to the industry sector in the shape of subsidies. But the net revenue received from charges, with the exception of Germany, exceeded the value of funds redistributed to industry in subsidies.

By far the most contentious, lucrative, and politically explosive is the product or input charge, levied on products associated with environmental damage. Product taxes raise murky questions of free trade. Does the Danes' ban on imports of refrigerators using ozone-depleting CFCs, for example, conflict with the European treaty on free trade? Nobody is quite sure.

What is certain is that a much hotter political potato at the moment is the product charge known as the carbon tax. A carbon tax on fossil fuels is a key element of the European Community's pledge to reduce carbon dioxide emissions by the year 2000. It has been mooted that a tax based on the carbon content of fuels will be slapped on oil to top up an expected fall in the oil price after the conclusion of hostilities in the Gulf.

The blossoming alliance of Mr Carlo Ripa di Meana, the environment commissioner, with Mr Antonio Cardoso e Cunha, the energy commissioner, is symbolic of the momentum gathering at the community level for a new emphasis on environmental taxes.



Carlo Ripa di Meana, EC Environment Commissioner: a blossoming alliance.

Mr Stanley Johnson, environmental adviser to the UK accountancy firm Coopers & Lybrand Deloitte (and successor there to Professor David Pearce, Mrs Thatcher's green guru) regards the carbon tax as a price mechanism that will result in "massive change" of behaviour by businesses in the industrialised communities.

"Only action on the energy field will have any impact if you want to reduce by 60 per cent – 70 per cent the energy-related greenhouse gas emissions in the industrialised world," he says. "There is an increasing sense that a carbon tax is irresistible."

However, making carbon tax law will be highly problematic. The Arab oil producers and the US, the most energy-intensive country, view a carbon tax with immense distaste. The developing countries, meanwhile – who have contributed least to global warming – are also the ones to suffer most from the increased cost of importing oil.

On a political level, applying the tax could be even more divisive, however intellectually attractive and environmentally sound it appears. It would introduce a new concept of financing based on resource use taxation, separating green taxes from the system of corporate and personal taxation administered by national treasuries – "it will drive a coach and horses through one of the few powers Westminster has left," Mr Johnson says.

Any EC-wide application of an energy tax would have political repercussions, especially in Denmark and the UK. The energy tax would be a big source of revenue not fixed by the Chancellor – and almost certainly amount to taxation without representation.

It would be predictable, too, if the UK fought a rear-guard action against a piece of Brussels *dirigisme* with the deep implications of the proposed carbon tax.

The other main charges are:

● User charges, when dischargers are required to pay in respect of collection and treatment of polluted waste, for *example, of sewage. In the UK,* a key debate is whether there should be effluent charges into waterways, an issue that Ian Byatt, director general of the Water Services, has urged the National Rivers Authority to study recently.

● Pollution or emission charges, levied on the specific pollutant regardless of the direct cost of the clean-up and mostly linked with permits or standards.

● Deposit refund systems, aimed specifically to encourage recycling. Sweden and Norway has a system for car hulks, and a number of countries for beverage containers.

Despite the plethora of charges, the application of the price mechanism has not been as thorough as it could be.

Governments realise that there comes a point where industry cannot carry on increasing profitability and perform environmental miracles at the same time; and that *it is the voters in households* – either indirectly via higher taxes, higher prices, and lower increases or reductions in government services in other areas – who pay the ultimate price for improvements.

The UK government is greening slowly, but those on the other side of the channel have tended to be greener quicker. Governments throughout the world have been "considering possibilities of introducing market-based instruments" to achieve the correct price signals", wrote Mr Chris Patten in his White Paper on the environment.

Government commitment is crucial as the use of prices and charges, are only two out of a three policy instruments to necessary improve environmental quality – "the third relates to standards and enforcement. Throughout Europe, the most effective structures are found where *these are used together," says* ERL's report.

Rachel Johnson

The Dutch set ambitious goals to reduce pollution

World pace-setters

The basic financial premise is that "the polluter pays," says Ronald van de Krol

THE NETHERLANDS has set itself the most ambitious environmental goal to be formulated anywhere in the world – an exhaustive, thorough clean-up of the country in the space of a single generation.

In concrete terms, this lofty goal requires the Dutch to reduce their water and soil pollution by a staggering 70 per cent to 90 per cent by the year 2010.

The country's ambitious plans, which were originally drawn up in 1989 and then refined in 1990, call for air pollution to be tackled as well. Carbon dioxide emissions *will* first be stabilised at their current level by 1994 and then be reduced by between 3 per cent and 5 per cent by the year 2000.

This represents in itself a major reduction because without the country's new policies, carbon dioxide emissions would probably rise at an average rate of about 2 per cent every year between now and the turn of the century.

The Dutch plan is widely regarded as the most comprehensive and ambitious in the world. Its launch has helped spur other countries, notably the UK and Germany, to set out long-term environmental clean-up programmes.

The Netherlands' leading role in environmental management is no accident. The scale of its pollution problem is greater than that of any comparable western country, forcing the Netherlands perhaps to be a trend-setter in this field.

"As a small and densely populated country, the Netherlands is exposed to the strongest environmental pressure per square kilometre in the OECD area," the OECD noted in a recent survey.

The Dutch have by far the highest population density of any western industrialised country, and they have little room for storing industrial waste. At the same time, the country's location at the mouths of three major European rivers – the Rhine, Scheldt and Meuse – means that the Netherlands is particularly vulnerable to waterborne pollution from the heart of Europe.

In Rotterdam, for example, the Rhine annually deposits 10m cubic metres of silt that is so contaminated that it cannot be dumped in the sea. Instead, the silt must be stored in a specially sealed sump.

An additional problem is the extreme intensity of Dutch agriculture, which relies heavily on pesticides and herbicides to ensure high-quality products. The success of Dutch farmers in wringing ever greater crop yields from their land has left a worrying legacy of water, air and soil pollution.

The intensive livestock sector has also created a serious pollution problem – manure surpluses – whose scale is unique to the Netherlands. All these problems – soil, air and water pollution – are targeted in the country's National Environment Policy Plus (NEPP) plan. Consumers, farmers and industry can expect to be presented with higher bills as the country carries out its clean-up drive.

State spending is set to rise, too. Overall, national spending on the environment will rise to Fl 16bn a year by 1994, of this, well over half will be borne by industry, farmers and households. In 1994, the direct cost of the clean-up programme to the average Dutch household will probably be Fl 30 per year. Implementation of the NEPP plan is still in the early stages, making it difficult to predict its success. *But it is clear that* the plan may be dogged by controversy from time to time as the true costs become more apparent.

In 1989, for example, the Dutch centre-right coalition actually fell over one of the many elements of the plan – the abolition of tax deductions for commuters – though existing tensions within the government also contributed to the political sensitivity of the issue.

The NEPP plan relies on a variety of instruments to bring about a cleaner environment. Originally, the scheme was supposed to make extensive use of voluntary covenants with industrial and agricultural groups, but the government later decided to make heavier use of anti-pollution legislation and regulation.

The Netherlands is hoping that its pollution-cutting initiative will be copied in other parts of Europe. But, so far, it remains committed to pushing ahead – even if the rest of Europe fails to follow its lead.

East-west joint venture clean-up opportunities abound

Eastern Europe lacks incentives

CLEANING UP the environment in eastern Europe will throw open many opportunities for western firms. But those companies will require capital, patience and a special understanding about the needs of the region if they want to gain a foothold there.[1]

These, at least, are some of the views expressed by The Venture Partnership, a UK-based company which was set up earlier this year.[2]

Run by Colette Fanning and Kirk Hill, their philosophy towards becoming involved in cleaning up the environment in eastern Europe combines entrepreneurial energy with a certain feeling for the region.

"We do not pretend that there is money to be made in eastern Europe. But what we want to do is to involve those who live there. We want to build bridges between local companies and those in the west," explains Ms Fanning.

The company is already working on an ambitious project. Along with two Czechs based in Prague, they are setting up a joint venture company with the aim of attracting capital to install a Harvest Polyol Plant.

The plant, which converts fish and vegetable oils into Polyol, the primary compound in the manufacture of polyurethane, would rule out the use of petrochemicals, and therefore all waste. It would also provide this Czechoslovak company with an export-oriented product (and hard currency) and a domestic product which could be used for the manufacture of a wide range of "green" products from upholstery for cars to furniture and adhesives.

Anyone who has visited Czechoslovakia cannot ignore the legacy the communist regime has bequeathed to the new government, or fail to appreciate the importance of a new policy towards the environment.

Industry was run on the highly-polluting brown coal; sulphur dioxide contaminated the rivers, lakes and forests.[3]

Fanning and Hill reckon that the availability of fish and vegetable oils, which are in abundance in Czechoslovakia, could be harnessed into environmentally clean new industries. The only problem, as ever, is capital – "we need about $2m to get this project off the ground," explained Hill.

But the new democratic governments in eastern Europe are strapped for cash. Moreover, it is only with the assistance of international financial institutions that they will place the environment higher up on the political and economic agenda.

At the moment, these governments are preoccupied with dismantling the old political apparatus, introducing economic reforms, including a review of subsidies and prices which affect the living standards of the population. Thus, if the environment is to be placed on their list of priorities, they will need incentives.

This is where organisations such as the World Bank, the European Community's PHARE programme and the new European Bank for Reconstruction and Development play an important role.

The World Bank has already granted Poland an $18m loan, which is specifically earmarked, among other things, towards devising an air-pollution control strategy for the region around Katowice and Krakow which is notorious for pollution.[4]

Officials at the World Bank, however, are keen to stress that loans will be conditional upon the Polish government adopting tighter controls and legislation on the environment.

The EC's PHARE programme is also actively involved throughout eastern Europe.[5] In Poland, it has issued grants for providing equipment for conserving the Mazurian lakes, in Hungary, it is providing training and equipment for the modernisation of the emission monitoring network, in Czechoslovakia, it has provided financial assistance for sludge disposal of Prague's sewage treatment plant.

The European Bank for Reconstruction and Development (EBRD), is also providing advice to Romania and Bulgaria on reducing pollution.[6]

In addition to these organisations, many consultancy firms and companies are now trying to gain an entree into eastern Europe. But unlike the 1970s and 1980s, when several western companies shamelessly exported their hazardous waste to the region – the communist

Continued on page 4

New regulations

Continued from previous page

influence the behaviour of consumers and producers and thus encourage environmentally cleaner methods of production.

Regulations will still have an important role to play. But their blanket enforcement over large sections of industry are seen as a crude way of controlling pollution, which acts as a brake on innovation – "industry prefers economic instruments as the lever for environmental improvement, rather than regulation which can lead to a rather sterile and unimaginative response," says Mr Basil Butler, managing director of British Petroleum and chairman of the Business and Industry Advisory Committee to the OECD. Industry will also feel the effects of the steady tightening of national environmental laws. UK companies are still digesting the new Environmental Protection Act which introduces stricter measures to enforce integrated pollution control of emissions to water, air and land.

Many UK companies will face heavy additional costs in administering the regulations. There is the added burden of meeting the Act's requirement that they use the best available techniques to control pollution, even though this is not supposed to entail excessive cost.

In the US, the Clean Air Act sets tougher pollution controls on motor vehicles, industry and power-generation. Despite this, there is still relentless pressure from "green" lobbyists for tighter US anti-pollution measures. They also criticise the US administration for failing to set firm targets for cuts in carbon dioxide emissions, although the US is the biggest producer of this greenhouse gas.

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The battle to reduce chlorofluorocarbons

Search for substitutes

CHLOROFLUOROCARBONS are the first important class of industrial chemicals to be phased out of production by international agreement.

After convincing scientific evidence was published, linking CFCs to the destruction of the ozone layer in the upper atmosphere, governments signed the Montreal Protocol in 1987. It laid down a timetable for cutting production of the five main CFCs by 50 per cent over 10 years.

Last year, in the face of new evidence that ozone was being destroyed more rapidly than even the most alarming predictions of 1987, the Montreal Protocol was extended to include all other CFCs and related compounds, called halons. Under the terms of the revised protocol, all production of CFCs must stop by the year 2000.

They may still be used in applications such as medicines, where CFCs are essential and irreplaceable, but these represent only a tiny fraction of today's consumption.

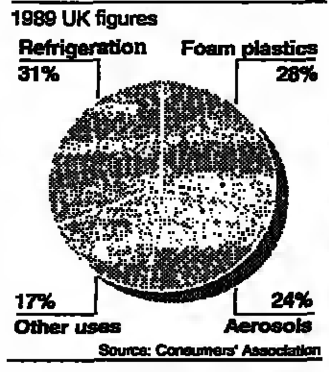
The European Community has agreed an even faster phase-out schedule, requiring an end to CFC production in the EC by mid 1997.

CFCs were first introduced by Du Pont, today's largest CFC manufacturer, in 1931 as safer alternatives to toxic refrigerants such as ammonia and sulphur dioxide. Their virtues – chemically stable, non-toxic and non-inflammable – meant they were adopted very fast, first for refrigeration and later for a wide range of other roles including propellants for aerosols, blowing agents for plastic foams and cleaning fluids for electronic components.

According to Du Pont, CFCs are used in a total of 5,000 different applications to produce goods and services worth $30bn a year. More than $200bn worth of installed equipment worldwide depends on CFCs.

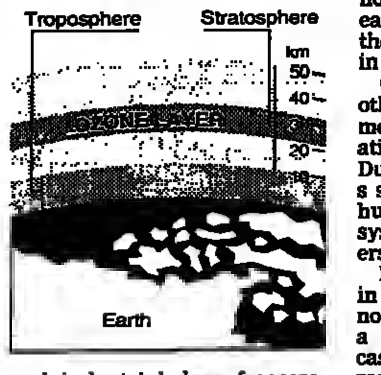
What CFCs are used for

1989 UK figures



Source: Consumers' Association

Ozone layer's location



CFCs are therefore so important to the world economy that their production could not be stopped immediately. Some users are finding it easier than others to substitute different chemicals for CFCs.

Aerosol manufacturers have already phased out CFCs as propellants for deodorants, hair sprays and other personal items. Most are using hydrocarbon substitutes. Only a few medical and military aerosols still use CFCs.

The electronics industry is weaning itself off CFCs and using water-based cleaning fluids instead. CFCs are also disappearing fast as blowing agents in fast-food packages such as hamburger cartons. They are proving more difficult to replace in insulating foams for buildings and refrigerator and freezer walls.

But the most important application of CFCs is still as coolants for all types of refrigeration, from domestic fridges and car air conditioners to supermarket chiller cabinets and industrial deep freezers. These account for about 40 per cent of CFC consumption.

The chemical industry is developing a family of fluorocarbon compounds – hydrochlorofluorocarbons (HCFCs) and hydrofluorocarbons (HFCs) – to replace CFC refrigerants in different applications.

HFCs contain no chlorine and therefore have no impact on the ozone layer. HCFCs still have some chlorine but they have on average less than 5 per cent of the ozone depletion potential of CFCs.

The most promising of the new generation of refrigerants is HFC-134a, which the industry is promoting as a substitute for CFC-12, the coolant used in domestic refrigerators, car air conditioners and some small commercial units.

At least eight companies say they are planning commercial-scale HFC-134a plants, though it is unlikely that all will be built. ICI of the UK was first into commercial production, with its £30m 134a plant commissioned at Runcorn, Merseyside, last October. Du Pont followed close behind with a plant which came on stream at Corpus Christi, Texas, in December. ICI and Du Pont hope to have three 134a plants each, running by 1995: one in the US, one in Europe and one in Japan.

Companies are developing other CFC substitutes for commercial and industrial refrigeration. Last month, for example, Du Pont launched HCFC-123 as a substitute for CFC-11 in large building air conditioning systems with centrifugal chillers.

For many other applications in refrigeration and freezing, no single chemical will work as a CFC substitute. In these cases a blend of chemicals is required.

Rhône-Poulenc Chemicals, UK subsidiary of the French group, has concocted a blend of HCFC-22 with propane and octafluoropropene as a "drop-in" replacement for R-502, a widely-used CFC refrigerant in supermarket freezers and cold stores. HCFC-22 on its own will not work with existing compressors designed for R-502.

The new fluorochemical replacements for CFCs require more complicated production processes than the original materials.

In addition, the manufacturers have substantial investment costs to recoup (Du Pont says it has already spent $240m developing CFC alternatives and estimates that its expenditure could exceed $1bn over the next 10 years).

The substitutes are therefore considerably more expensive than the CFCs they replace. Although the market is still too new to give a clear indication of prices, it is likely that the substitutes will cost three to five times as much as CFCs.

Clive Cookson

The Better Environment Awards for Industry

Winners announced today

COMPANIES CONTINUE to make breakthroughs in environmental technology and design and to adapt their management structures to take account of "green" awareness on the part of the public, *writes John Hunt*.

Initiatives in this field are encouraged by the Better Environment Awards for Industry which announced this year's winners today.

The four main awards go to:

■ ICI Katalco of Billingham (part of ICI Chemicals and Polymers) which receives the pollution abatement technology award.

■ BP Chemicals, Hull – the green product award.

■ Body Shop International – the environmental management award.

■ Peter Garman and Barbara Sexon, consulting engineers of Rothbury, Northumberland – the award for developing technology which is appropriate for developing countries.

ICI developed a catalytic technology for the destruction of chlorinated caustic effluent streams. The system converts the waste into re-usable oxygen and brine.

Sir Frederick Warner, chairman of the award assessors, said the system, known as Hydecat, was an innovative solution to deal with a particularly unpleasant waste stream in a cost-effective way.

It is easily integrated into a modern chemical plant and has potential application world-wide.

Dr Martin Fakley, product manager for ICI, said the previous methods of dealing with the waste were difficult to operate and required constant attention – "We have cracked a world-wide problem," he said.

BP Chemicals developed a liquid de-icer for airport runways which is harmless to groundwater, plant and animal life. The product, known as Clearway 1, is easily biodegradable and there is no waste in its manufacture.

The company spent two years on research and testing to come up with a product complying with strict aerospace performance requirements and corrosion specifications.

Approval

It is faster-acting with better ice-melting ability and surface friction properties. It is being marketed in Scandinavia and Germany and has been approved by key European airports and environmental protection agencies.

The assessors say that Body Shop, the leader in the manufacture and retailing of natural cosmetics, has incorporated concern for the environment into every aspect of its operations.

The company recently carried out an internal environmental audit of its operations and is to commission an external "green" audit.

The management structure has been reorganised and each department now has an environmental adviser who will work with the company's environmental research department.

The needs of developing countries can often be met by the design of simple, basic technology which is cheap to run, rather than the introduction of expensive high-tech machinery. Peter Garman and Barbara Sexon have developed a water power turbine for irrigation in developing countries using simple technology which can be produced, maintained and used by the local population.

It avoids the use of a diesel pump which poor, rural populations find more expensive to buy and maintain. Using energy from the Nile they hope the turbine will enable vegetable plots and sheltered agricultural belts to flourish in the deserts of the Sudan.

ICL has received a commendation for pollution abatement technology for controlling and eliminating the use of CFCs (chlorofluorocarbons) in its computer manufacturing plants at Kidsgrove, Staffordshire, and Ashton-under-Lyne, Manchester.

A commendation in the green product category goes to Pax Guns of Highgate, London, for developing a lead-free pellet for airguns.

A project for extracting and recycling CFCs from domestic fridges and freezers, developed by Iceland Frozen Foods, has received a commendation for environmental management.

The awards are sponsored by the Environment Foundation, Department of the Environment and Shell UK. They are promoted by the Confederation of British Industry and the Financial Times.

Improving pollution controls by the chemical industry

Big increase in spending

"FIFTEEN years ago the environmental protection department at this plant consisted of one man – now there are 24 people in environmental protection here," says Dr Ernst Wagner, head of environmental services at Grenzach, a dyestuffs factory run by Ciba-Geigy, the Swiss chemicals giant, in the south-western corner of Germany. Until the early 1970s, liquid waste from Grenzach was pumped untreated into the River Rhine – like that from countless other chemical plants down the polluted river.

Now the plant has an elaborate waste treatment system: wastes that can be broken down by micro-organisms undergo biological treatment; non-biodegradable wastes are destroyed in a new "wet air oxidation" unit which started operating last year. The two units cost DM180m (£50m) to build and their operating costs are about DM55m (£19m) a year.

Grenzach is a microcosm of the effort being made by the chemicals industry worldwide to clean up what many chemical company executives admit in retrospect was appallingly negligent treatment of the environment.

All international chemical companies have greatly increased their expenditure on pollution control over the past decade. German, Dutch and Swiss companies made most of the running during the 1980s, shamed by the widely publicised pollution of the Rhine. But other European and US chemical groups are also implementing ambitious environmental programmes.

Comparing the environmental spending plans published by different chemical companies is hazardous, because definitions vary from one company to another and so do their circumstances. The three big German companies – BASF, Bayer and Hoechst – probably have a somewhat easier task than their competitors in other countries; each has a large centralised production base on the Rhine, at which it is simpler to install comprehensive waste treatment facilities than at the more decentralised plants of other companies.

Ciba-Geigy, for example, has chemical plants dotted around its home base of Basle, Switzerland, surrounded by residential neighbourhoods – "we're much more exposed to the public living around the plant than the big German companies, which almost have a *cordon sanitaire* around their plants," said Dr Kaspar Eigenmann, head of Ciba-Geigy's corporate safety and environment department.

ICI, the leading UK chemical group, announced last November that it would double environmental expenditure to £1bn worldwide over the next five years. ICI's environmental spending has increased from £50m in 1985 to an estimated £125m in 1990 and a planned average of £200m a year from 1991 to 1995. That will be more than 20 per cent of the group's total capital expenditure.

ICI's target is to cut the output of all wastes by at least 50 per cent by 1995 – "we will pay special attention to those which are hazardous and we will try to eliminate all off-site disposal of environmentally harmful wastes," said Sir Denys Henderson, ICI chairman.

Any new ICI plant "will be built to standards that will meet the regulations we can reasonably anticipate in the most environmentally demanding country in which we operate that process," Sir Denys said. That will most often mean adopting standards from the US, Netherlands or Germany.

Until now environmental protection in the industry has focussed on "end-of-pipe" measures – removing and destroying harmful chemicals in the waste streams coming out of chemical plants. But during the 1990s the emphasis will switch gradually to altering the manufacturing processes themselves so that they produce less waste.

Possibilities include: changing chemical reactions so that the yield of desired products increases and fewer unwanted by-products are generated; using fewer harmful solvents, particularly chlorinated organic solvents; decreasing the number of filtration steps, which generate waste liquids; and controling conditions in reaction vessels more closely, with the help of on-line computer analysis.

Some products have been withdrawn from the market because their sales are not great enough to justify the effort of changing their production process.

The sector of the chemicals industry most seriously affected by environmental pressure is the production of chlorine compounds. The phase-out of chlorofluorocarbons (CFCs) is the most dramatic manifestation of this, but many other chlorine chemicals are also under pressure.

As a result, the overall chlorine market is declining steadily. Euro Chlor, the chlorine industry's trade association, says that European production fell by 4.6 per cent in 1990 (from 9.72m tonnes to 9.28m tonnes); the decline in the UK was 7 per cent. Greenpeace is campaigning vigorously against the industry, using the slogan "Chlorine-free by '93".

Chlorine manufacturers say that some of the environmental pressure on them is justified and some is wholly irrational. Mr Bob Hunt, general manager of ICI Chlor-Chemicals, says the industry is helping its customers reduce their consumption of chlorinated solvents such as trichloroethylene, by reducing emissions and recycling solvents.

The pulp and paper industries used to be the largest users of chlorine, as a bleaching agent. Now they are switching to what they regard as more environmentally friendly bleaching agents.

Today manufacturing of plastics – and particularly polyvinylchloride (PVC) – is the largest single use of chlorine. Mr Hunt insists that there is no rational objection to PVC on environmental grounds.

Clive Cookson

WASTE MANAGEMENT

The grip tightens

THE WASTE management industry is going through a period of rapid change to meet the demands of tougher regulations and higher environmental standards.

Meanwhile, the recession has meant some fall-off in the volume of waste, particularly from Britain's hard-hit construction sector – "this is putting pressure on the industry," says Mr Frank Argent, director general of the National Association of Waste Disposal Contractors. "Some waste companies are cutting costs, but it is important that standards are not reduced."

However, there is still a vast quantity of waste from a wide variety of sources and this helps disposal companies to protect themselves against the worst effects of the recession.

Britain generates about 100m tonnes of industrial waste for disposal on land each year and households produce another 20m tonnes – one tonne for each household.

The volume of waste in the 24 industrialised countries of the Organisation for Economic Co-Operation and Development has grown steadily to 9bn tonnes in 1990. This includes 420m tonnes of municipal waste and 1.5bn tonnes of industrial waste of which 300m tonnes were hazardous.

Britain's new Environmental Protection Act imposes a duty of care on producers of waste. This legal obligation to safely dispose of waste means that they will have to pay for it to be handled by professionals, rather than risk employing cut-price "cowboy" operators.

The Department of the Environment's recent white paper sets out future policies right across the environment. It states bluntly: "The Government's policy is to harness market forces more effectively to encourage waste minimisation. One effect of this will be to make waste disposal more expensive."

Pressures like this have led to consolidation of the waste management industry into larger units in a series of takeovers and mergers, many of them on an international scale.

This trend has been driven by the expense of providing improved expertise and more advanced technology in response to the demands of the "green" revolution. During the second half of last year there was intense takeover activity within the industry.

Rechem, which operates two large incinerators for the destruction of toxic waste in Britain and is negotiating to build a third in Italy, merged with Shanks and McEwan, a leading UK waste management company.

Shanks has a large bank of landfill sites which are a valuable asset at a time when they are becoming more scarce and the cost of purchasing and using them continues to escalate. Its interests in the treatment of solid and liquid wastes are complemented by Rechem's high technology incinerators.

Leigh Interests of Walsall purchased a large waste disposal company, HT Hughes of Portsmouth. Severn Trent, the privatised water company,

Financial pressures have led to recent takeovers and mergers in the waste management industry, reports JOHN HUNT

took a 29 per cent stake in the Caird Group during an aborted takeover attempt. Another privatised water company, Wessex Water, has moved into the waste business by forming a joint venture with Waste Management of the US, one of the world's biggest industrial and domestic waste disposers. The new venture, Wessex Waste Management, will be involved in waste disposal and recycling of wastes, industrial treatment, landfill sites and conversion of waste to energy.

There are plenty of problems ahead for the industry – the agreement to ban the dumping of sewage sludge in the North Sea means that water companies will have to build about a dozen large incinerators to dispose of the 10m tonnes of such waste annually.

This will involve them in considerable expense. It is also expected to arouse strong opposition from local residents in the areas where it is proposed to locate the plants.

This "not in my backyard" syndrome also has international repercussions. There has been strong opposition to the importation of toxic PCBs (polychlorinated biphenyls) into the UK even though they have been authorised for incineration – a process which the industry says is completely safe.

The OECD estimates that 2m tonnes of hazardous waste moves across the frontiers of its European member countries each year – a total of 100,000 frontier crossings.

Britain and some other countries are pressing for waste to be disposed of in its country of origin. Global controls of waste were agreed under the Basel Convention drawn up by the UN Environment Programme. Under the agreement, countries agreed to minimise their waste and provide adequate disposal facilities to reduce the international trade.

Recycling has an important role, not only in waste minimisation, but in conserving the natural resources and energy used in production.

In 1986, British industry recovered 17m tonnes of reusable materials valued at £2bn and £700m of these were exported. Large quantities of metal are recycled in the UK while recycling of glass rose from 25,000 tonnes in 1977 to 310,000 in 1990.

Recyclable materials such as glass, plastic bottles, cans and paper account for about 40 per cent of the contents of the average dustbin by weight. Britain has a target of recycling half the country's recyclable waste by the end of the century.

To reduce the flow of waste, some countries have adopted deposit schemes which oblige shopkeepers to accept the return of containers and packaging. Germany plans to make traders accept the return of unnecessary packaging from April next year and to introduce deposits on a range of packaging from 1993.

An immense task in eastern Europe

Continued from page 2:
governments were eager for hard currency and independent pressure groups were too weak to counter this, or insist on the implementation of the battery of environmental legislation – this time, the emergence of public accountability in the region means that western companies have to tread carefully.

In addition, because the new governments of eastern Europe want to move much closer to the European Community, they are anxious to bring their environmental legislation – and practice – into line with EC guidelines.

Thus, consultancy firms such as Environmental Resources;[3] Arthur D Little; a whole range of accountancy firms such as KPMG; and companies including ICI, are acutely aware they they must promote a "green image."

KPMG, for instance, say they are advising an international hotel chain in developing a green strategy which includes using low-energy light bulbs, controlling heating and air-conditioning and recycling and minimising waste.

Groups such as the London-based Ecological Studies Institute (ESI)[7] and the Budapest-based Regional Environmental Centre,[8] welcome these developments. But they would also wish to see the local population having a stake in the cleaning up of eastern Europe.

Duncan Fisher, who directs the ESI's east European programme, believes that western firms should provide training for the local population and that any companies setting up businesses of enterprises in the region, should liaise more closely with local non-governmental groups about how they see the future development of their own areas.

Peter Hardy, the executive director of the Regional Environmental Centre which is financed by the US, the EC and the Hungarian government, hopes the Centre will provide a data base for the region's environmental problems.

"We want to be able to monitor the developments in the environment – which problems should be tackled, which companies can help clean the environment, and also we want NGOs, for example, to be able to seek advise from us about the credentials of a prospective investor who wants to set up a factory or restructure a factory," he explains.

Judy Dempsey

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Further initiatives to safeguard the world's rain forests

New levels of awareness


A burning forest in Rondonia, Brazil

THE TIMBER trade is an obvious target for conservation groups angered by the continuing destruction of the world's rainforests. But the dynamics of concern are changing – and the timber trade is becoming aligned with some of the conservation groups – or vice versa.

The timber trade believes it accounts for only 5 to 10 per cent of the trees that are chopped down, while 90 per cent are destroyed for domestic needs under the enormous pressure from their growing populations.

Nevertheless, timber is an extremely valuable commodity for developing countries. Forest products (including pulp and paper) earn exporters about $100bn a year.

Whether the trade will continue to earn such sums is open to question – "there is a worry that there is not enough hardwood available for the international trade, in any case," says Mr Michael James of the UK's Timber Trade Federation.

Arguing strongly for the involvement of trade in the management and conservation of forests, he asserts: "If you don't have a trade, there is very little incentive for the locals to resist pressure from farming and fuel needs."

Earlier this month the Timber Trade Federation, along with its affiliated campaign Forests Forever, issued a joint statement with an unlikely bedfellow – the World Wide Fund for Nature (WWF).

The statement broadly committed the organisations to sustainable, environmentally sound management of forests worldwide. The organisations agreed to "work independently and together to focus international and national attention on those productive forests, linked with international trade, which are in danger of imminent degradation or destruction for any reason."

In a further move towards wide ranging co-operation, the UK Tropical Forest Forum, chaired by the former chief forest adviser to the Overseas Development Administration (ODA) and with a secretariat funded by the Nature Conservancy Council, was launched last month. The forum aims "to improve understanding among all those concerned with the future of tropical forests, be they in government, the timber industry, the environmental groups or the academic research establishments," and then influence both policy and action.

But these positive signs do nothing to lessen the urgency of the need for action, according to Mr Frances Sullivan of WWF. World demand for timber is growing by 2 per cent a year.

At that rate of deforestation, there will be no forests left by 2,030, outside the national parks and protected areas.

The UK timber trade has come to realise that it must help to safeguard the world's forests if it is to ensure future supplies – "this is an equally valid reason which stands alongside all the other reasons for preserving the forest," according to Mr Geoffrey Pleydell, adviser to the Timber Trade Federation.

Most of the UK's tropical timber is imported from East Asia, where Thailand has moved to being a timber importer, and the Philippines has stopped exports because of anxiety over its depleted resources.

"The environmentalists have been immensely successful in raising this problem. The argument now is how to get change," says Mr Pleydell, an enthusiastic advocate of timber as an environmentally sound material.

"We believe wood is the best material around – you cannot grow more steel or oil. Manufacturing aluminium, steel or bricks requires an enormous amount of energy – if really pushed you can use a handsaw with timber."

However, the problems of creating sustainably managed forests in developing countries remain formidable in the face of exploding populations, rural poverty and bad land practice – "we have to find some way of motivating countries with immensely complex problems," says Mr Pleydell.

Much hope is focussed on the International Tropical Timber Organisation (ITTO), which held its first meeting in 1987 and now has more than 40 members from both exporting and importing countries. But it has not achieved much so far.

"They are so very slow," says the WWF's Mr Sullivan, who believes it is caught between its twin aims of promoting the trade in timber at the same time as conserving the forests.

Nevertheless, WWF is hoping that when the ITTO meets again in Quito, Ecuador in May, it will be possible to come up with a tracing and authentication system so that internationally traded timber would have a seal of approval if it came from sustainably managed forests.

The Friends of the Earth – probably the most strident denouncer of rain forest devastation – remains critical of both the timber trade and the ITTO, and holds a generally pessimistic view of the outlook for the forests.

Mr Simon Counsell of FoE said the ITTO had no means of checking, appraising or monitoring the impact of the projects it set in hand. One such project in Bolivia had had a disastrous impact on the indigenous population by opening up their lands.

He attacked as misleading timber trade figures on the amount of timber taken as a commodity. Logging interests continued to move into primary moist forest areas, opening them up to the people who then move in to practice slash and burn agriculture. Selective logging led to destruction of up to 50 per cent of the remaining forest by heavy machinery, he said.

"All of us have a responsibility to ensure that we are not party to an environmental problem," says Mr Counsell. "Until they stop importing tropical timber they (the timber trade) must be held culpable."

Increasing awareness among European consumers would speed up the progress towards sustainably managed timber, argues Mr Sullivan, who believes people would be prepared to pay a premium for it.

David Blackwell

Spills lead to extremely costly clean-ups

Shocks for the oil industry

TELEVISION pictures of oil-clad birds and seals struggling out of a murky slick have an extremely emotive effect on public opinion.

Furthermore, up to 15 per cent of Kuwait's oil reserves will go up in smoke, following Iraqi destructiveness.

The emirate now watches in horror as around 6m barrels a day go up in thick black smoke, damaging oil reserves and reducing the amount of sunlight reaching the earth, thus reducing the temperature in parts of Kuwait by several degrees.

The war has caused one of the world's worst oil spills where an estimated 11m barrels were recklessly released into the Gulf by the Iraqis from Kuwaiti oil terminals.

Saudi Arabian officials say the slick could cause a major ecological disaster because the Gulf is a closed sea which forms the habitat for many rare sea mammals and birds.

With a bulk commodity which is regularly transported round the globe, and then refined by an intricated process which relies on a feed of water, the oil industry is highly vulnerable to the sort of environmental accidents that make such bad press.

The public outcry that followed the Exxon Valdez oil spill into the sensitive waters of the Alaskan wildlife refuge has had repercussions for the company lasting several years, during which its image has been severely dented.

Last year, Shell UK was fined £1m – the highest fine ever made in a UK pollution case – after 150 tonnes of oil spilled from a fractured pipeline into the River Mersey.

The incident was followed later in the year by another leak of 500 gallons from a Shell refinery into the river.

Greenpeace, the environmental action group, targeted the company as part of a campaign to clean up the Mersey and mounted demonstrations near Shell plants in protest.

The bad publicity caused by the oil leak and the heightened public concern about pollution has led Shell to put environmental issues at the top of its agenda.

Mr John Collins, chairman of Shell UK, says the company is spending £30m on a 2-year plan to minimise the possibility of further oil leaks into the Mersey.


US clean-up crew vacuums oil off Galveston Bay beach

WORLD OIL RESERVES BY REGION

Region	Reserves, 1969 (bn barrels)	Reserves, 1990 (bn barrels)	% share of 1990 reserves	Remaining reserves (years)*
Middle East	362	680	65	110
Latin America	70	125	12	51
USSR, E.Europe	66	60	8	13
Africa	25	59	6	28
Australasia	40	47	5	20
North America	39	42	4	10
Western Europe	23	18	2	13
TOTAL	555	1,011	100	44

*Reserves at 1989 production rates. Outside of the Middle East, much of the cheap oil has already been consumed. Production by the Soviet Union and US is now declining. Data sources from BP Statistical Review of World Energy.

This involves re-designing the refinery system so that only purified water is released into the river, which means all liquids will have to undergo one further stage of processing. It also involves eliminating 35 outlets and replacing them with just one.

One of the difficulties in anticipating major oil spills – particularly those at sea – is that they are often caused by human error.

Mr Collins says that, although you can never achieve a standard which is 100 per cent fullproof, companies have to ensure that their standards are clear. They have to pay close attention to the selection of crew and institute adequate checks and balances.

Shell operates an accreditation scheme whereby it will only charter ships that meet a set of high standards and it endeavours to monitor the ships without notice.

But while many major oil companies have introduce tight standards for the shipping of oil, there are still weak spots in the international tanker market.

In an initiative which resulted from the Exxon Valdez disaster, 90 countries drew up an emergency system to deal with oil spills last year under the auspices of the International Maritime Organisation.

The new IMO convention, which took 16 months to draw up, goes into much detail about international co-operation in cleaning oil slicks and calls for a system of emergency stockpiles of anti-pollution equipment to be established around the globe.

It also requires ships to have detailed plans for dealing with pollution emergencies. Captains of vessels and port authorities will be required to report such incidents without delay. However, the convention limits the liability of an oil company for a spill to $80m and for this reason, has not been ratified by the US. So far, only 15 countries have signed the treaty, which makes it of little value.

Oil spills are incredibly costly to clean up; Exxon's bill for the Valdez slick came to over $2bn. Federal politicking in the US has kept the Administration from agreeing to the liability limitation and this means oil tankers calling at US ports have to bear huge insurance costs.

This led Shell to suspend crude oil deliveries by its own tankers to US ports last year and many other oil companies have followed. Mr Ian McGrath, who heads Shell's International shipping operations, says that, since a number of responsible shipowners are not calling at US ports, this lowers the quality of ships calling there and increases the risks of an accident.

"We believe the best way of preventing a major incident is to ensure the ship's crew are competent navigators and to put a major focus on training," he said.

There has been a big debate in the industry over whether alcohol should be allowed on board tankers. But many in the industry believe a total ban on alcohol is probably ineffective.

The US Academy of Science is reviewing the designs of tankers in an effort to try and cut down on pollution and this should be concluded by the end of the month.

Accidental oil slicks are probably inevitable: all the industry can do is try to formulate a quick response to them and improve the training of ship crews in a bid to minimise the risks of a major incident.

Deborah Hargreaves

Contribution of greenhouse gases by sector:

- Energy: 49 per cent
- Industry: 24 per cent
- Deforestation: 14 per cent
- Agriculture: 13 per cent

Contributions (by country or area) to annual net emissions of greenhouse gases:

US: 18 per cent
USSR: 12 per cent
OECD, Europe: 12 per cent
Brazil: 10 per cent
China: 7 per cent
Japan: 4 per cent
Other OECD: 3 per cent
India: 4 per cent
Rest of the world: 34 per cent

Sources: Organisation for Economic Co-operation and Development, 1991 Environment Report 1991.

A rocky time in the green investment sector, but . . .

Optimism in the long-term

"FADDISH" is how some investment advisers describe the green investment sector. Many are scathing of the way the unit trust industry has jumped on the green handwagon, but then that is the way of the unit trust industry – its flavour of the moment may be green, may be Eastern European or Pacific rim, according to what the marketing men think will woo the private investor.

A survey of socially responsible funds conducted last summer by Valin Pollen, London, showed that over a third of financial intermediaries questioned do not recommend green and ethical funds to their clients, mainly because they consider them gimmicky and bad performers.

Recent months have been a rocky time for unit trust investors in general and the green and ethical sector is no exception. Green funds have sprung up over the last two or three years so the performance records do not extend over a long period.

If you invested £100 in a green or ethical unit trust three years ago, it will probably have shrunk or provided a very meagre return (in many cases under-performing a humble building society account).

James Capel follows the green sector closely and compiles various green indices. Roger Hardman, who is head of green investment research at James Capel, points out that green stocks performed well in the spring and early summer of 1990, but warns: "Green stocks tend to outperform the rest of the market in bull markets and under-perform when the market goes down."

He points out that one reason for the strong performance of green stocks in bull markets is the shortage of suitable environmentally sound companies. Those that become well-known as green stocks soon become overpriced so investors pay a premium for the shares.

However, despite their unimpressive performance, green funds appear to have a loyal following. The unit trust groups claim that their market research shows a firm commitment to environmental investment among certain kinds of private investor.

Tessa Tennant, who is head of environmental research at Jupiter Tarbutt Merlin, an investment management group, points out that green investors do remain loyal even under the most trying circumstances. At a time when many of the unit trust groups have been witnessing redemptions – as has been the case in recent months – green funds such as the Merlin Jupiter Ecology fund claim that they have suffered from very few redemptions. In fact, the Merlin Jupiter Ecology fund experienced a net inflow of funds in the second half of 1990.

James Capel estimates that about £300m is now held in socially responsible funds under the green or ethical banner. In Capel's annual guide to green investment, the question is raised as to whether the astonishing acceleration of the green movement over the previous year means that there will be a backlash, "whether environmental concern will turn out to be just another fad joining the 3-D cinema, hula-hoop and the rubik cube in the dustbin of public attention."

While Hardman admits that investors become fed-up paying a premium for shares on fancy price earnings multiples that then fail to perform, or go backwards, in many cases it makes sense for companies to improve their environmental record, regardless – for if a company has to meet stringent environmental standards, the chances are the measures it has to take will help to improve its energy-efficiency and, in the long-run, save the company money.

The worry at the moment is that with a recession, many companies will not be able to afford expensive improvements to equipment.

However, David O'Brien, environmental analyst with CIS, believes that once economic growth resumes, investment in more efficient, environmentally-acceptable processes and equipment will resume, too – "in the next 18 months, companies may be reduced to doing the bare minimum required by law, but after that, the situation should improve" he says.

As Julie Linehan, marketing manager for TSB points out, the recession is a problem which will affect many companies, not just green ones. She, like many in her profession, remains optimistic about the long-term prospects for the green sector and for funds which make a policy of investing in the spectrum of environmentally-aware companies with sound managements.

Environmental audits

An upsurge of interest

ENVIRONMENTAL audits are the flavour of the month among large European companies with activities of any environmental sensitivity.

"The growth of interest since the spring of 1990 has been extraordinary. We have had more than 80 companies contact us about conducting an environmental audit. And many of them add as an afterthought: 'And, by the way, what *is* one?'"

So says Mr John Elkington, director of SustainAbility, a UK eco-consultancy which has been at the forefront of singing the virtues of this newish management tool.

So why are so many large European companies now considering an audit as a way to manage their environmental performance? And why is there such uncertainty about their precise nature? One of the most important factors behind the upsurge in interest has been the spread of best practice from other countries, particularly the US. Large companies in North America were much quicker to adopt environmental audits than most of their counterparts in Europe.

Companies are increasingly expected to draw up their own plans for meeting environmental obligations, putting a premium on having accurate knowledge about their own pollution performance

US companies have needed to show that they are complying with the stringent regulations laid down by US authorities like the Environmental Protection Agency.

In the litigious US, they have also increasingly been pressurised by business partners concerned about being drawn into costly eco-litigation: this is especially true of insurance companies which either refused to write insurance or humped up premiums on pollution-sensitive plants lacking an audit.

These pressures are now spreading throughout Europe. Individual governments and the European Commission are laying down increasingly tough environmental laws. Just as important is the trend to a new type of regulation, exemplified by the system of "integrated pollution control" contained in the UK's Environmental Protection Act.

Companies are increasingly expected to draw up their own plans for meeting environmental obligations, putting a premium on having accurate, regularly updated knowledge about their own pollution performance.

As in the US, key business players, like investing institutions and insurance companies, are also taking a closer interest in a company's eco-record: they cannot afford to do otherwise, when liabilities from an environmental disaster can run into hundreds of millions of dollars. And to underpin the trend, the European Commission is drawing up proposals which could make environmental audits compulsory for thousands of sites throughout Europe.

So if the impetus behind environmental audits is clear enough, why is there so much uncertainty about their nature?

The simple answer is that there are several types of audit, including:

- Site audits, when a full picture is drawn up and regularly updated of the environmental performance of a site (its waste management, materials use, relations with the local community and so on).
- Compliance audits, to ensure that a company is complying with all relevant environmental regulations.
- Investment audit, often known as environmental impact assessments, to assess the environmental implications of a new project.
- Takeover audits, when a full environmental survey of a site or company is undertaken prior to takeover.
- Activity audits, involving a study of an activity such as distribution which crosses business boundaries.
- Issue audits, which require an examination of how a large company is dealing with a specific environmental issue, such as reducing the use of ozone-depleting chlorofluorocarbons.
- Associate audits, when a large company insists on an environmental audit of an associated concern, such as a supplier or agent.
- And full corporate audits, which attempt to draw up a comprehensive picture of all a company's activities from an environmental point of view.

These categories are not, of course, mutually exclusive. Perhaps the most basic is the site audit, which typically involves elements of the other types of audits, such as compliance or issue audits.

Any site audit worth its name must have certain key characteristics. At least some people external to the site should be involved in order to ensure objectivity. Indeed, many larger companies now have a well-staffed corporate environmental unit which provides the core personnel for most site audits.

A reasonable amount of time, usually stretching over several days, must be devoted to the audit, which should be carried out according to a methodology clearly agreed in advance.

Among the issues which will almost certainly be covered are a site's effect on the locality; its production of wastes and emissions and their impact on

Continued on facing page, column 8

The vehicle industry

A prime target

SOME 500m cars and up to 100m commercial vehicles are expected to be on the world's roads by the year 2,000, nearly one-third more than today. By the year 2,025, government agencies and forecasters suggest, this population could reach douhle current levels in the ahsence of legislation to curh vehicle use.

If all these vehicles were to remain petrol and diesel-powered, emitting similar amounts of exhaust pollution as at present, the environmental impact in urban areas would be catastrophic: traffic is already accused of generating 80 per cent of airborne pollution in most cities.

Not surprisingly, therefore, legislative bodies, researcb organisations and environmental pressure groups have identified the vehicle industry and users as a prime target in the battle again environmental pollution.

As a result, making vehicles 'cleaner' througb improved technology within the vehicle itself has leaped to the top of the vehicle industry's agenda.

But the issue is mncb more complex than exhaust emissions. Vehicles represent the world's single largest manufacturing industry, and the processes involved botb require large amounts of energy and are associated with significant pollutant emissions sucb as chlorofluorocarbons and solvent vapours generated hy paint plants and other facilities. Of more significance yet, the manner in which traffic flows – or more typically does not flow in major conurbations – is a major determinant of the volume of pollutants emitted by vehicles. BMW, for example, quotes research showing that in a one-sqnare kilometre section of Munich, monitored during a one-hour period, more than balf of vehicles on tbe move were using their fuel looking for parking places.

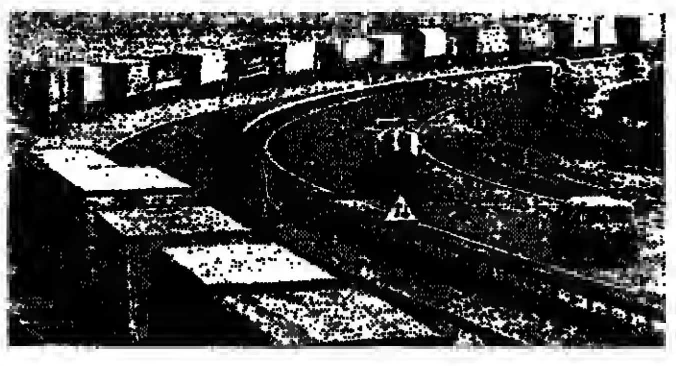
Last year, the Confederation of British Industry calculated that congestion-related problems such as delay and wasted fuel cost the UK economy alone some £12bn. So there are sound economic as well as environmental reasons for seeking to tackle the prohlems on a broad front.

In Europe, wbere all new cars produced after the beginning of 1993 must be equipped witb catalytic converters, EC Commission experts are looking at a range of measures which should contribute to a significant drop in the total volumes of exhaust emissions.

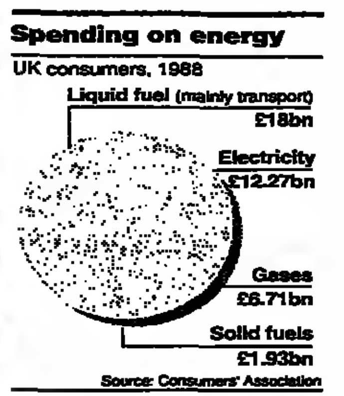
These include lower speed limits, radical traffic management schemes and support for the development of alternative fuels, such as methanol or even bydrogen, and propulsion systems, such as batteries and electric motors.

That the vehicle manufacturers are prepared for unprecedented resources to be devoted to environmental concerns was made plain in an internal document circulating in Ford of the US, late last year.

It concluded that "downsizing" cars, changing their shape to cut fuel consumption, even introducing "zero" polluting vehicles such as electric cars, would not solve all the problems – and that urban congestion in the developed world could well become so bad that privste cars' use might have to be curbed in favour of public transport.



The issue is much more complex than exhaust emissions



On the immediate agenda, however, is how further to reduce emissions from vehicles – and tbe US industry is increasingly questioning the wisdom of some, at least, of the further legislative tightening proposed within the latest US Clean Air Act. The industry claims that cleaning up the last few per cent of pollutants not already dealt with hy existing catalytic converter systems will cost an additional $600 per car, about the same as the cost of the entire system for dealing with the first 90 per cent. It would be more economically and environmentally sound to make regular, vigorous checks of emissions from the older cars which are responsible for around 85 per cent of the vehicle-related pollntion, the industry argues.

Indeed, there is a danger that the higher prices of new cars could slow the demise of older, "dirtier" cars, claims the industry.

Such exhaust emission checks are, in fact, becoming increasingly widespread, with testing stations and annual checks appearing being set op in a number of states. The concept has already begun spreading to Europe.

Measures sucb as these imply extra cost for industry and vehicle users alike. Far from bemoaning them, Mr Carl Hahn, chairman of the management board of Volkswagen of West Germany, suggests that "we have reached an economic position in which it is entirely reasonahle to anticipate that our societies can afford the added costs which are unavoidable in connection with the protection of the environment, and our governments can be expected to take notice of this."

German vehicle makers have been playing a prominent role in tackling environmental problems on a number of fronts. A few weeks ago, for example, BMW started up a pilot car disassembly plant at Landshut, near Munich.

It is a small facility, dismantling by hand only a few cars a day. But it is seen by BMW as the forerunner to much larger plants, capable of handling tens of thousands of cars per year and which will have as their objective the recycling – into new car parts, re-usable materials or even as energy – 100 per cent of tbe worn-out vehicles whicb enter their doors.

The nature of materials and processes in nse in cars is already changing for environment-related reasons. Car interiors use a lot of plastic and foam, traditionally associated with ozone layer-destroying chlorofluorocarbons (CFCs), which are used as foaming and release agents.

The UK's Rover group has already switched to CFC-free plastics, with the exception of the steering wheel, on its newest cars however, and other manufacturers are taking a similar route.

Similarly, paint solvents once allowed to escape freely into the atmosphere are now captured for re-use, and with new generations of water-based paints and underseals now appearing certain to enter widespread use, will soon become redundant.

Water itself is recycled - one Volkswagen plant re-uses water seven times being finally purifying it and returning it to the (rather dirtier) River Aller, nearby.

In some cases, vehicle makers have been recycling materials for decades before the term has become fashionable. Mercedes, for example, has been using waste paper to make its gloveboxes for 40 years.

The big question mark, however, hangs over precisely what propulsion systems will drive the vehicles of the early 21st century. And it is becoming clear that if radical change there is to be, it will originate in smog-shrouded Los Angeles, the birthplace of the catalytic converter.

Californian's government is becoming increasingly desperate to clean up the smog from the 8m cars owned by the 12m inhabitants of the Los Angeles basin. It has enacted legislation requiring 2 per cent of all cars, vans and light trucks sold in the state in 1998 to be "zero emission" vehicles (ZEVs), rising to 10 per cent in the year 2003.

Barring the emergence of some unsuspected new technology, that must means cars powered by batteries.To meet the legislation 30,000 electric cars will have to be sold in 1998 rising to 150,000 a year in 2003.

The volumes should be enough to overcome the worst of the economy of scale problems which have bedevilled manufacturers' previous attempts to bring cost-competitive electric vehicles into production – and manufacturers have already begun throwing their hats into the ring:

General Motors plans to put into production, within two years, a purpose-built electric car, the Impact, already shown to have 100mph performance and 120-mile range. Ford, which has been working on a number of electric vehicle projects, is declared to be "definitely in the EV business for 1998".

Clean Air Transport, a Swedish-UK venture, this year will start building medium-sized electric cars destined for the "Los Angeles initiative," which aims to get 10,000 electric cars and vans on Los Angeles' roads by the mid-1990s as a voluntary forerunner to the legislation itself going into effect.

To emphasis the seriousness with which the US establishment is now viewing "electrics," last month GM, Ford and Chrysler and the US Government agreed jointly to spend more than $1bn over the next 12 years to develop advanced battery technologies.

The emergence of viable electric powered cars, presuming that it does happen outside the peculiarly problematical confines of the Los Angeles basin, might eventually prove that some of the pessimism in highly-respected quarters is unjustified.

The Paris-based Organisation for Economic Co-operation and Development (OECD), for one, is expected to express deep concern at the long-term effect of vehicles on the environment. A soon-to-be-published report is expected to conclude that reductions in pollution achieved by the introduction of catalytic converter-equipped cars could be negated within a decade by higher traffic volumes.

Like the long-term planners at Ford it, too, sees little alternative for the future but to restrict the actual use of vehicles, almost irrespective of how "clean" they are.

John Griffiths

Increasing demand for audits

Continued from facing page:

the environment; and its compliance with environmental regulations. A written report, detailing follow-up actions, should be the most minimal outcome of such an audit.

How often should audits be carried out?

Perhaps the typical pattern, where a large environmentally sensitive plant is concerned, is to follow the first comprehensive audit with spot-checks on progress every year, but to wait several years before producing another full audit.

Should outsiders be involved? Most European companies at present appear to prefer to conduct their own in-house audits. But the market for outside help is growing: Ecotec, an environmental research group, estimates that the UK audit market for environmental consultancies is £106m at present and growing by 17 per cent a year.

Should the audit be published, even if only in summary form? This is the most contentious question of all. Few companies have yet chosen to follow Norsk Hydro, Norway's biggest industrial group which has made a virtue of publishing externally validated audits of its environmental activities.

With this hotchpotch of approaches to auditing, it is not surprising that calls for greater standardisation are coming from both the the authorities and some environmental consultancies.

The next few years should show whether environmental audits develop into as settled a part of the business scene as their financial counterparts.

David Thomas, Resources Editor

Electricity supply industry

Hemmed in on all sides

NO MATTER in wbicb direction it looks, the electricity supply industry worldwide seems to he increasingly hemmed in hy environmental pressures.

At the macro-level, there is a green squeeze on whole segments of the industry. Its nuclear component was the first to feel the eco-heat, as a result of public reaction against the nuclear accidents at Three Mile Island in the US and Chernohyl in the Soviet Union.

But it has now been joined by the coal industry, which is blamed for being one of the main causes of acid rain and the mucb more intractahle problem of global warming.

Meanwhile, at the micro-level, nimbyism (not in my back yard) is making it more difficult for *any* new power plant to receive planning consent in many industrialised countries.

Indeed, a recent survey of the power industry predicted tbe imminent spread of the "the Californian syndrome" into Europe.*

Named after a development which is most marked in California, the syndrome is an attempt to avoid environmental objections to new power stations. Operators huild the plant outside the territory where public opposition is strongest and then import the power.

Local opposition has already effectively ruled out further expansion of both nuclear and hydro-electric facilities in many European countries, while the prospect for more large coal-fired stations seems equally bleak.

Some signs of the syndrome in Enrope can already be detected, tbe study says. ENEL, Italy's state owned electricity utility, is discussing a plan to huild 13,000 megawatts of new capacity in the Soviet Union: one quarter of tbe power would he exported under long term contracts to Italian consumers.

Similarly, Electricité de France and Framatome are proposing to build two nuclear power stations in Hungary, witb repayments partly in power supplied to Germany and Italy.

In the UK, the protracted negotiations preceding the privatisation of the electricity industry focused attention on the high costs of environmental legislation.

The government's apparent commitment to instal flue gas desulphurisation equipment on 12,000MW of coal-fired capacity in England and Wales was an early casualty. Ministers were alarmed at the dent that this commitment – the main component of the UK's contribution to the European Community's programme to tackle acid rain – would make in proceeds from the privatisation of National Power and PowerGen.

As a result, the electricity industry in England and Wales was allowed to abandon 4,000MW of the programme. Both the industry and the government insisted that the EC's targets could still be met through two complementary sets of actions: more use of (predominantly imported) low sulphur coal and the construction of a new wave of gas-fired stations.

Even so, National Power and PowerGen felt ohliged to include explicit eco-warnings when their privatisation prospectus was puhlished last month – "changes in environmental regulations are likely to involve substantial additional capital and operating costs and may result in some plant closures," PowerGen's said.

SULPHUR DIOXIDE

European Commission target emission levels compared with 1980 levels

Country	1993	1998	2003
Belgium	−40	−60	−70
Franca	−40	−60	−70
Germany	−40	−60	−70
Netherlands	−40	−60	−70
Denmark	−34	−56	−67
Greece	+6	+8	+8
Spain	0	−24	−37
Ireland	+25	+25	+25
Italy	−27	−39	−63
Luxembourg	−40	−50	−60
Portugal	+102	+135	+79
UK	−20	−40	−60

The companies are worried that Britain may have to adopt the tighter limits on sulphur dioxide emissions already accepted by some other European countries.

Similarly, the industry expects a tightening of standards on emissions of nitrogen oxides, another cause of acid rain, following an EC review of existing programmes in 1994-95. Further over the horizon, hut even more alarming, would be action such as carbon taxes to curb emissions of carbon dioxide, the main cause of glohal warming, since coal-fired power stations are the biggest carbon dioxide emitter.

Germany has so far heen arguably the most successful European country in tackling the main environmental problems facing the industry.

In the western half of the country, sulpbur dioxide emissions were cut hy 80 per cent, and nitric oxide emissions by a half, between 1982 and 1989, according to one estimate. By contrast, most other EC countries still have mnch to do to meet the sulphur dioxide targets laid down hy the EC. However, the unified Germany now faces an even higger challenge in cleaning up the environmental disaster created through the hurning of brown coal in the former communist eastern half.

In the US, the industry is having to come to terms with the recently enacted amendment to the Clean Air Act. Not only does it contain stringent curbs on acid rain pollution, it also introduces a novel system of permit trading in emission allowances.

One beneficiary is already clear: "All of these environmental issues are pointing to increased use of natural gas," said Mr Newton Camphell, chief executive officer of Kansas City-based Burns & McDonnell Engineering, at a recent *FT* conference on the world electricity industry.

Gas is increasingly the fuel of choice for power generation throughout Europe and the US. Comhined cycle gas turhine stations emit much less sulphur dioxide and carbon dioxide than coal or oil stations for an equivalent amount of heat; they also typically produce cheaper power.

Comhined heat and power stations, often huilt hy large industrial consumers of electricity, are another potential winner. Typically gas-fired, they can avoid the siting constraints which hamper conventional power stations. Indeed, according to Mr Camphell's estimates, "55 per cent of the planned capacity additions (in the US) are utility gas- or oil-fired generation or non-utility generation whicb is mostly gas-fired."

Big power plant manufacturers – such as Asea Brown Boveri, GEC-Alsthom, Westinghouse and Mitsubishi – are also vying to do well out of the green wsve. Environmental prohlems are increasingly at the very top of the ageoda in their huge research labs.

On the losing side, nuclear power is still doing badly out of the upsurge in environmentalism. Many observers believe that nuclear additions remain unlikely during the 1990s in countries such as Germany Belgium, Finland and Switzerland. In the next decade, the nuclear industry can realistically hope for new orders only in France and Britain, of the main European countries. A more general revival will have to await the arrival of "inherently safe" reactor technology which could calm puhlic fears about safety, although many inside the nuclear industry believe that the new fears sbout global warming could offer the industry an eco-lifeline.

Unless these fesrs ahate, coal-fired generation looks set to be the biggest loser of the next decade. Environmentalism, for many years ignored as an activist obsession at the fringe of debate, is now at the very centre of the industry's strategic planning.

David Thomaa

**European Electric Power Trends. Cambridge Energy Research Associates, 2 Rue Duphot, Paris, France 75001. Priced at $95.*

Lord Hesketh: "The time for planning is now."

New controls in the UK

NEW CONTROLS on pollution and waste under the Environment Protection Act come into force in the UK on April 1.

"These will affect hundreds of manufacturing firms," says Lord Hesketh, Minister for Industry.

Companies "will need to make a positive response. The time for planning that response is now," be adds. "Each firm needs to find the most cost-effective solution for its own circumstances, rather than have to adopt less efficient measures at the 11th hour to meet implementation time-tables."

The government has also introduced a range of environmental technology programmes for bnsinesses; details are available from the DTI's Environment Enquiry Point, Freephone 0800-585.794.

YES. IT IS A VOLVO.

Your surprise is understandable. After all, the sophisticated new Volvo 960 is unlike any Volvo you've ever seen.

To begin with, under the bonnet is the smoothest engine Volvo has ever designed: a 204-HP, six-cylinder, 24-valve inline power plant rendered entirely in die-cast aluminum.

Governed by a microprocessor, this engine produces an astonishingly broad power band (90% of its torque is available from 2,900–6,000 rpms). Which creates a feeling of unceasing strength that is only further heightened by the almost total absence of noise or vibration. And married to this totally new engine is a new electronically controlled automatic transmission. Utilizing computer circuitry, this transmission enhances the engine's already powerful character by offering three distinct modes—Sports, Economy and Winter. Plus the transmission provides an automatic downhill braking function and automatically adjusts engine performance at higher altitudes.

Yet for all these changes, the 960 4-door Saloon and 5-door Estate remain faithful to all the virtues for which Volvo is best known. Safety, as manifest by the 960's standard ABS anti-lock brakes and a new center position 3-point seatbelt in the rear. And durability as evidenced by the fact that the 960's new engine is so well made its oil change interval is 15,000 km.

So while the owner of a new 960 may delight in people's surprise at discovering the maker of this new autombile, he or she can also take comfort in another important fact:

Yes. But it's still a Volvo.

INTRODUCING THE VOLVO 960.

VOLVO

A car you can believe in.

Equipment and specifications may vary in some markets.